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## Europe Acts to Join Era of Innovation Ties Its Hopes for Economic Revival To a Rush to Experiment, Take Risks

By Joseph Fichter  
*International Herald Tribune*

LILLE, France — Cheerful and purposeful compared with its decaying and listless industrial surroundings, Lille's Pasteur Elementary Public School resounds this morning with a classroom chorus of "Frère Jacques."

But the words and music are coming from computer consoles programmed by Pasteur's 10- and 11-year-old pupils. Paired off at keyboards and brightly colored screens, the children work out the logic, then follow the English instructions: "1. Print Frère 2. Play Do. 3. Print re. 4. Play Me."

Next door, in Pasteur's kindergarten, children program a robot, resembling a clear plastic tortoise. Using instruction cards, they teach it a pattern of moves from a drawing; the pupils have made, then watch in entranced silence as the robot trundles over a sheet of paper taped to the floor, reproducing the shape.

"Computers not only familiarize the children with information technology, they also are proving powerful teaching tools," explains Lucien Marie, a computer-learning consultant here in northern France. "Kids have no inhibitions about learning from machines."

At a computer console, Yasmin, 10, and Arnaldo, 11, work as a team on an educational video game, using an electronic video mouse, to compose sentences from words displayed on the screen. They are clear about why they must master computer technology.

"In the year 2000, there won't be people in factories, only robots," Yasmin says. Arnaldo chimics in:

"And only people with computers can have jobs." Wherever they learned it, the two children are echoing the revolutionary views of their elders.

In what amounts to the most fundamental change in West European economic thinking since World War II, governments and industries, academics and many trade unions are experimenting with new approaches to allow careers to be more flexible, encourage more commercial risk-taking and make their businesses more competitive.

The changes are an attempt to reverse a decline in Europe's economic strength that is apparent in high, stubborn unemployment, lagging technological development behind the United States and Japan, and a growing mood that European political leadership has lost any vision of a better future.

A few hundred yards away from the Pasteur Elementary School, 11 unemployed men and women are earnestly discussing how to start their own businesses in a seminar sponsored by Lille's Boutique de Gestion, or Business Shop. This is one of 26 centers set up since 1982 throughout France, owned and operated by management specialists.

"Kids have no inhibitions about learning from machines."

Entrepreneurship generally means starting an innovative business and it implies a readiness to take risks and an eye for creative products or services. Today's folk heroes are such successful entrepreneurs as Serge Crasznianski of France, whose Kis shops for rapid film development and shoe repairs have spread around the world, or Sir Clive Sinclair of England, who

invented and sold internationally the first personal computer with a price under \$100.

In this Lille workshop session, the entrepreneurs come on a small-scale.



Schoolchildren in Rennes, France, studying with the help of a computer under an Education Ministry project.

### Getting Down to Business

Europe's New Approaches to Competition

*In the face of American and Japanese competition, is Western Europe irreversibly declining economically? Can it catch up technologically? Are European economies too rigid to change? Can Europe move from a managerial to an entrepreneurial society?*

*This is the first of a series of articles, appearing from time to time, that will focus on these questions and some answers.*

French. A cool dismissed by Renault, the state-owned automaker, wonders if northern France, which has long favored beer and Bordeaux wines, might be a market for Burgundy. An engineer who worked for a carpet manufacturer that went bankrupt bought his old laboratory and plans to run an automated two-man operation that will sell high-quality carpeting to a U.S. company.

Of about 150,000 new businesses in France in 1985, government surveys indicate that nearly half of them will be started by unemployed men and women. More than 700 of them — and nearly 2,000 jobs — involved help from Business Shops.

This trend is not confined to France. In West Germany, the number of new businesses, which declined during the 1970s, jumped

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## U.S. Aides Say Damage From Spying Is Immense

By Joel Brinkley  
*New York Times Service*

WASHINGTON — Senior U.S. intelligence officials say the United States has been immensely damaged by the series of espionage cases disclosed in the past week.

One senior Reagan administration official said the new disclosures, along with other major spy cases in the last six months, add up to "an extraordinarily bad year for us — it's going to cost us millions to recoup, if we can."

Another administration official said: "There are more of these cases coming. Don't think it's over yet."

He said Vitaly S. Yurchenko, the Soviet defector who returned to Moscow on Nov. 6, provided information that probably will lead to several more arrests.

A former analyst with the Central Intelligence Agency, Larry Wu-Tai Chin, who was arrested Saturday and accused of spying for China for more than three decades, was indicted Tuesday on espionage charges.

In addition, associates interviewed Tuesday said that Jonathan Jay Pollard, a navy counterintelligence analyst who was accused last week of spying for Israel, had boasted for 10 years about working for the Israelis. Two Israeli newspapers, in reports Tuesday, identified Rafi Eitan, who was an intelligence adviser to Prime Minister Menachem Begin, as Mr. Pollard's recruiter.

U.S. intelligence officials said that of the four persons arrested since Thursday on spy charges, Ronald W. Pelton, a former employee of the National Security Agency, appeared an initial assessment to have caused the most harm. He was caught as a result of information provided by Mr. Yurchenko, according to the Federal Bureau of Investigation.

While employed as a communications specialist from 1965 to 1979, Mr. Pelton had clearance to use the most heavily classified in-

telligence, designated sensitive compartmentalized information.

Although officials would not describe his job precisely, they said he was in a position to know the capacity of many of the security agency's highly sensitive satellites and other intelligence-gathering tools.

The agency uses photo-reconnaissance satellites, listening stations on the ground and in the air, and other devices to photograph and intercept information. The agency, the nation's most secret intelligence organization, is most effective when it uses advanced capabilities that the Soviet Union does not know the United States has.

Mr. Pelton apparently told Moscow how some of the agency's intelligence-gathering devices work, a senior intelligence source said Tuesday. Another intelligence official said, "He could have caused

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"This is an appeal from the Supreme Soviet to come to agreement on this major issue of modern times," he said.

Although his power comes from his position as general secretary of the Communist Party, Mr. Gorbachev is also a deputy of the Supreme Soviet and a member of its Presidium.

"We value the personal contact established with the U.S. president," he said of his meetings with Mr. Reagan, the first encounter between Soviet and U.S. leaders since 1979.

"It is important that the dialogue did take place — it is in itself a stabilizing factor in our difficult times," he said. "But we are realistic and must say directly that solutions to major problems related to ending the arms race were not found at the meeting."

Mr. Gorbachev said that the real

(Continued on Page 2, Col. 2)

### INSIDE



André Bergeron, leader of the French union Force Ouvrière, revealed the union had accepted U.S. funds. Page 3.

### SCIENCE

■ U.S. and Egyptian officials said that Libya was behind the EgyptAir hijacking. Page 2.

■ China revealed an effort to quell student protests over "open door" policies. Page 2.

■ U.S. and Angolan officials began meetings on UNITA and the future of Namibia. Page 3.

■ Budget cuts have lowered the horizons for the Strategic Defense Initiative. Page 3.

"We are both very pleased with the results of the summit," she said, "and very much aware that a great deal of work will have to be done to translate those confident new hopes into reality."

Mr. Kohl said it was very important that more Germans in the east and west be able to visit each other.

Concerning a possible visit by Erich Honecker, the East German leader, to West Germany, Mr. Kohl said, "It is a matter for him to decide."

He added: "It is up to him to agree a date. I will not take part in this rather stupid discussion in my own country whether he comes or doesn't come."

## The U.S. Tax Reform Effort: A Favor Here, a Favor There

By David E. Rosenbaum  
*New York Times Service*

WASHINGTON — More than two dozen exceptions to the provisions of the new tax revision legislation by the House Ways and Means Committee were inserted in the legislation personally on the last day of drafting by the committee chairman, Representative Dan Rostenkowski.

The exceptions, euphemistically called "transition rules," are in reality special favors to reward legislators who backed the chairman in the committee or to gain the support of influential lawmakers whose help he will need to guarantee adoption of the measure next month on the House floor.

For example, the legislation, as a rule, would prohibit the use of tax-exempt bonds to finance sports sta-

diums, convention facilities and parking garages.

But exceptions would be allowed for stadiums in Cleveland, Miami, Chicago, in Memphis, Tennessee and at the Meadowlands in northern New Jersey, for a convention center in Miami and for parking garages in Memphis and Charlotte, South Carolina.

Altogether, the special tax breaks would cost the Treasury \$2 billion to \$3 billion a year in lost revenue, more than twice what the government spends on cancer research.

But from Mr. Rostenkowski's point of view it was a small price to win approval of the most sweeping tax legislation since World War II, a bill that would otherwise end hundreds of tax advantages and sharply reduce the tax

rates paid by every taxpayer in the United States.

Special favors in tax bills are commonplace in the Senate, but experts said Mr. Rostenkowski, an Illinois Democrat, might have gone further this year than his predecessors who headed the House taxation committee.

For his part, Mr. Rostenkowski makes no apologies for his wheeling and dealing to pick up votes. "Politics is an imperfect process," he said just before dawn Saturday when his committee wrapped up its work.

Representative Bill Frenzel of Minnesota, one of the most influential Republicans on the Ways and Means Committee, said: "The rule is that if you're on board you get something that normal policy wouldn't get you." Like most of his

Republican colleagues, Mr. Frenzel opposes the legislation and received none of the favors.

"No one gets punished," Mr. Frenzel added. "It's not a system of punishment. It's a system of rewards."

One of those most generously rewarded was Representative Claude Pepper, the Miami Democrat who is chairman of the House Rules Committee. Mr. Pepper's committee will set the terms for the House debate on the tax legislation specifying precisely which amendments will be in order. If Mr. Rostenkowski gets his way in the Rules Committee, few, if any, amendments will be permitted.

Chances are that no one in Congress except for Mr. Rostenkowski and Mr. Pepper, including the

(Continued on Page 2, Col. 3)



Dan Rostenkowski

## U.S., Egypt Believe Libya Masterminded EgyptAir Hijacking

By David B. Ottaway  
Washington Post Service

WASHINGTON — Three days before the hijacking of the EgyptAir jet on Saturday, a meeting of Libyan officers ended with a communiqué pledging to strike at U.S. interests in the Arab world and "support 'materially and morally' those fighting the 'traitorous regime' in Egypt."

While there is no proof of Libyan involvement in the latest bloody hijacking, Egyptian and U.S. officials have indicated strong suspicion that the Libyan leader, Moamer Qadhafi, was the mastermind. Fifty-nine persons died during the hijacking, 58 of them when Egyptian troops stormed the plane.

For more than a year, Colonel Qadhafi has stepped up efforts to undermine the government of President Hosni Mubarak and liquidate members of the Libyan opposition in Egypt.

Earlier this month, The Washington Post reported that the Central Intelligence Agency planned to back efforts by neighboring countries to undermine Colonel Qadhafi's government.

Since then, the Libyan leader has increased his verbal attacks on the United States and tried to use the disclosure to rally support at home and in the Arab world for his troubled regime.

A statement issued last Thursday by Colonel Qa-

dhafi's "revolutionary officers" after a two-day session said they had discussed "overt and covert missions" and ordered "any counterrevolutionary attempt" crushed "without having to refer to any quarter."

In addition to committing themselves to waging "the battles of Arab unity by force," the officers pledged support for "the popular revolution" in Sudan as well as the "popular masses" in Tunisia.

They also pledged to track down "the dogs of the CIA" and assure "their physical liquidation."

Libya's state radio charged Tuesday that there had been "clumsy and reckless behavior" by the Egyptian commandos who stormed the hijacked plane in Malta on Sunday night and that "responsibility for the massacre lies on the shoulders of the Egyptian regime."

Referring to The Washington Post report, the Libyan news agency, JANA, asserted that the United States "has given the green light to its agent, the Egyptian regime, to carry out aggression" against Libya.

In recent months, some U.S. analysts have noted several developments suggesting an increase in Colonel Qadhafi's commitment to revolution and terrorism against U.S. interests and those of its moderate Arab allies. These include:

• Immediately following the overthrow of President

Gaddafi of Sudan on April 6, Colonel Qadhafi sent scores of Libyan agents and pro-Libyan Sudanese to set up "revolutionary committees" there.

They have taken advantage of the new government's plan to hold free elections for a civilian government by next April 6 and have established themselves in Sudan's fragmented political life, U.S. analysts say.

The situation in Khartoum has become so unsettled that the State Department issued a travel advisory last week warning Americans to avoid the Sudanese capital because "known Libyan terrorists" freely roam the streets.

• On March 31, after a meeting of Arab "revolutionaries" in Tripoli, Colonel Qadhafi established a "National Command of Revolutionary Forces in the Arab World." Its stated goal is "to liberate and unite the Arab world."

News reports said the meeting was attended by representatives of ruling parties in Syria and South Yemen; leftist parties from Lebanon; opposition groups from Iraq, Somalia, Jordan, Sudan, Oman and North Yemen; and Palestinian factions opposed to Yasser Arafat's leadership of the Palestine Liberation Organization.

### ■ U.S. Increases Surveillance

Bernard Gwertzman of The New York Times reported from Washington:

The United States has increased its aerial and electronic surveillance of Libya to monitor any military moves in the aftermath of the EgyptAir hijacking, according to administration officials.

The officials said Tuesday that U.S. forces in the area had been put on alert in case Libya and Egypt became involved in fighting as the result of the hijacking and the subsequent Egyptian storming of the plane.

There was no direct U.S. involvement in the rescue operation, the officials said. But one high official said, "We are ready with our forces in the event something nasty occurs."

After the attack, and the resultant large loss of life, President Ronald Reagan sent a message to President Mubarak praising him for the action and expressing strong U.S. support for action against terrorists.

Several officials said that the quick U.S. moves to back the Egyptians and the cordial exchange of messages between Cairo and Washington had indicated that the tension that existed at the time of the Achille Lauro affair last month had passed.

The United States, which had been critical of Egypt's decision to turn over the four hijackers of the Italian cruise ship to PLO officials, intercepted the Egyptian airliner carrying them to Tunisia and forced it to Italy, where they were apprehended.

## WORLD BRIEFS

### Sikhs' Highest Priest Is Wounded During Service at Golden Temple

AMRITSAR, India (AP) — Three gunmen shot and wounded Sabih Singh, the highest priest of the Sikh religion, on Wednesday, killing his bodyguard, the police said. The attack occurred before dawn inside the Golden Temple, the holiest Sikh shrine, while 15,000 people were attending the shrine for a festival. Sabih Singh, 45, and a fellow priest, Kirpal Singh, were criticized for appearing on government-run television in June 1984 to play down the devastation and casualties when the Indian Army stormed the temple to drive out Sikh extremists.

The Amritsar police said that Sabih Singh received a death threat from Sikh extremists in September before the Punjab state elections, which were won by moderate Sikhs to whom he is close.

The assailants shot the bodyguard while the priest was kneeling before conducting prayers, then opened fire at Sabih Singh as he fled, a Golden Temple spokesman said. The three suspects escaped and the police launched a manhunt, cordonning off the entire Golden Temple complex and surrounding shops. Security was tightened throughout the state.



Sabih Singh

### Greek Air Controllers on Hunger Strike

ATHENS (Reuters) — About 90 Greek airport workers on a hunger strike have collapsed on duty and three have suffered heart attacks, Athens airport sources said Wednesday.

The protest action strike was begun in support of demands for more pay and improved benefits. Under Greek law, air traffic controllers, electronics workers and administrative staff members are forbidden to strike work, but they have been refusing food and going without sleep since Monday. As a result, many have fainted from exhaustion.

Greece's national airline, Olympic Airways, canceled all but three flights Wednesday because of the danger to passenger safety. Meanwhile, the protest broadened with a call for all civil aviation personnel, totaling about 2,000, to join.

### 32 Nicaragua Children Reported Slain

CANBERRA, Australia (Reuters) — Foreign Minister Miguel d'Escoto Brockmann of Nicaragua said Wednesday that anti-government guerillas killed 32 children Tuesday in a raid on a Nicaraguan school.

Father D'Escoto, who arrived Tuesday on a six-day visit to Australia, said that the 15-year-old son of his driver was one of those killed in the attack carried out by guerillas, who he said fired machine guns at the children.

The foreign minister said he was told of the incident by telephone earlier in the day, but gave no other details. He made the assertion in an address at the National Press Club in Canberra, during which he called for an end to U.S. support for the guerillas opposing Nicaragua's Sandinist government.

### Boeing Orders Changes in 747s

SEATTLE (UPI) — Boeing Co. has instructed airlines and civil aviation authorities around the world to make structural modifications to their 747 jumbo jets. In a service bulletin, Boeing said that a cover should be attached to seal an inspection hole between the rear part of the fuselage and the vertical stabilizer.

A Boeing official said Wednesday that the directive was not connected with the Japan Air Lines crash on Aug. 12 in which 520 people died. The plane's tail section was believed to have been blown away when pressurized air from the cabin burst through a flawed rear cabin bulkhead. But the causes of the crash have not been officially determined.

Japan Air Lines and the three other 747 operators in Japan already had ordered covers for their 747s. Japanese Transport Ministry officials said in Tokyo yesterday.

### U.S. Officer Cleared in Iran Arms Case

ORLANDO, Florida (UPI) — A federal judge has dismissed charges against a U.S. Army artillery expert accused of participating in a plot to sell 1,140 anti-tank missiles to Iran, but has refused to throw out charges against six other defendants.

Judge G. Kendall Sharp dismissed the charges Tuesday against Lieutenant Colonel Wayne G. Gillespie of Alexandria, Virginia, after the government rested its case. The judge said that although the officer was videotaped inspecting two missiles at an informant's home, there was no evidence he knew that such missiles were supposed to be stolen or shipped to Iran.

The seven were accused July 31 in a conspiracy to pay \$10.12 million for the missiles and five surveillance cameras for use in jets. Iran has been barred from receiving U.S. weapons since 1979.

### Pretoria Accepts Commonwealth Visit

JOHANNESBURG (AP) — The South African government agreed Wednesday to receive a delegation of Commonwealth nations officials who have expressed concern over apartheid, but warned against "intervention in the country's national affairs."

The Commonwealth, consisting of Britain and its former colonies, voted last month to send a fact-finding delegation to South Africa after Britain rejected demands by the Commonwealth majority to impose joint economic sanctions against South Africa. The delegation plans its visit sometime next year.

Meanwhile, the police said Wednesday that anti-apartheid violence flared in nine South African communities. No new deaths were reported, but the police said at least three persons were burned in arson attacks.

### For the Record

The Chicago City Council split along racial lines, 31 whites to 14 blacks, in a vote Tuesday to condemn Louis Farrakhan, the leader of the Nation of Islam, for anti-Semitic and racist remarks.

The Liberian head of state, Major General Samuel K. Doe, ordered the release Wednesday of five opposition leaders who were arrested following the abortive coup against his government Nov. 12.

Michael Drummond, who survived nine days on a artificial heart before getting a donor heart from a 19-year-old victim of a motorcycle accident in Texas, was allowed on Tuesday to go home permanently to his family in Phoenix, Arizona.

### DOONESBURY



## Bush, Anglican Envoy Discuss Beirut Hostages

New York Times Service

WASHINGTON — Terry Waite, the Church of England representative seeking the release of U.S. captives in Lebanon, has conferred with Vice President George Bush and other U.S. officials on ways of winning the hostages' freedom.

"I was able to give him a general briefing on the situation and to indicate some ways in which I felt that this matter could be resolved," Mr. Waite said after talking with Mr. Bush for an hour on Tuesday.

Mr. Waite also met in New York on Tuesday with the United Nations secretary general, Javier Perez de Cuellar. The church envoy, who said he planned to return to Lebanon shortly, said that Mr. Perez de Cuellar had been "very supportive" of his mission.

Mr. Waite, who says he has met with the Shiite Moslems who are said to have kidnapped at least four of the six Americans missing in Lebanon, said he had made "no special request" of the United States.

## EC Ministers Restore Budget Funds; Not Enough, Delegates Say

Reuters

BRUSSELS — European Community treasury ministers, overriding objections from Britain and Ireland, agreed Wednesday on a higher budget for 1986, going along with the European Parliament's wishes to restore some items that had been cut.

Spain and Portugal, which joined the EC on Jan. 1, will receive about 321 million ECU's of the increase, about half the amount the Parliament had sought to reinstate on their behalf.

Representatives of the Socialist, Christian-Democratic and Liberal groups, which hold two-thirds of



EXECUTION IN LEBANON — Palestinians in Sidon, Lebanon, gathered Wednesday to view the bodies of three women and a man killed by a guerrilla firing squad. The dead persons were accused of collaborating with Israel during the three-year occupation of southern Lebanon.

the seats in the Parliament, issued their statements after a meeting of the assembly's budget committee.

The Parliament shares budget power with the Council of Ministers. It is one of the few areas where the assembly, which meets in Strasbourg, has a clearly defined role.

The Parliament will take a final vote on the budget next month and its officials said it was likely to restore the cuts entirely unless a last-minute compromise was reached.

Britain opposed increasing expenditures, while Ireland, one of

the EC's poorest members, argued that even the revised budget was too small.

Italy also opposed the compromise proposed by Luxembourg, which currently holds the presidency, but fell into line with the majority of the 10-member community.

In a separate development Wednesday, Jacques Delors of France, the commission's president, rejected as inadequate proposals for limited reform of the EC's founding Treaty of Rome that are scheduled to be considered at

Monday's summit meeting in Luxembourg.

Mr. Delors said proposals that foreign ministers spent Monday and Tuesday discussing would not produce the degree of economic and political revival envisaged at a June summit meeting in Milan.

Those proposals would maintain the present system under which any state can block legislation by a veto. Mr. Delors favors majority voting.

The ministers are to meet over the weekend for further discussions.

## Beijing Moves to Quell Student Protests Over Widening Foreign Ties

By John F. Burns  
New York Times Service

BEIJING — Chinese leaders have summoned an emergency congress of the Communist Youth League in an attempt to quell mounting student protests against Deng Xiaoping's so-called "open door" policies.

The Communist Party newspaper, People's Daily, reported Tuesday that the Youth League will meet in special session Thursday. Without mentioning the protests, the newspaper said the conference would urge young people to "stand in the forefront" of the new policies, and to maintain discipline.

The paper also said that there would be changes in the leadership of the Central Committee of the league, suggesting that Mr. Deng's policy of broadening foreign ties had been Japan, but the underlying motive appeared to have been to call attention to dissatisfaction with Mr. Deng's policy of broadening foreign ties.

Concern about the protests reflects the history of student movements in modern China, which have often been a prelude to broader unrest. An unanswered question is whether the demonstrations have been spontaneous, as official accounts maintain, or were inspired by party officials seeking a means to undermine Mr. Deng's policies.

What is clear is that Mr. Deng has resolved to close off the protests, or at least to channel them into support for his policies. Party newspapers have run a spate of articles criticizing the Beijing demonstrators and admonishing students to work within authorized party channels. They have been told not to launch movements on their own, and not to stir up "anti-foreign" sentiment.

In an effort to co-opt the protests, the government plans to hold rallies in Beijing and other cities on Dec. 9, the 50th anniversary of a student uprising in the capital that played a role in prompting Chiang Kai-shek and his Nationalist forces to call the Communists in a united front against Japan. In a preliminary move last weekend, veterans of the 1935 demonstration attended a forum at Beijing University to counsel students not to persist with their agitation.

Reports in the People's Daily and China Youth News made it clear that the issue in the demonstrations has not been Japan alone, but the broader issue of China's burgeoning foreign ties. The protests featured calls for an end to Japan's "second occupation," meaning the growth of Japanese commercial links.

### ■ 23 Officials Imprisoned

A Beijing court imprisoned 23 officials found guilty of taking bribes, fraud, commodity speculation and tax evasion in a harsh crackdown on economic crimes, the Xinhua news agency said Wednesday. United Press International reported from Beijing.

## London Cabbies Boycott Airport To Protest Levy

Reuters

LONDON — Taxi drivers began a boycott Wednesday of London's Heathrow Airport to protest a levy on fares, leaving travelers to use public transport for the 20-mile (32-kilometer) trip to the capital.

Drivers said they would refuse to pick up passengers at the airport, one of the world's busiest, until the 50-pence (74-cent) levy for the use of taxi ranks was lifted.

The British Airports Authority are holding the passengers to ransom," said a spokesman for the taxi drivers, who voted overwhelmingly in favor of the boycott at a mass meeting Tuesday.

He said the drivers planned to take their grievances to court.

## Gorbachev Urges Ban on Arms Tests

(Continued from Page 1)

test of Geneva's value would be whether the superpowers could agree on concrete steps to reduce nuclear arsenals.

But he praised the understanding recorded in their joint statement that declared that neither side would fight a nuclear war or try to attain military superiority.

The party leader received a standing ovation at the conclusion of his speech.

As Mr. Gorbachev told it, the United States was forced back to the arms negotiations in Geneva last March by the pressure of public opinion. Western diplomats

said, however, that it was the Soviet Union that bowed to world opinion and decided to return to the arms talks following their walkout at the end of 1983.

But he said the Soviet and American views of regional conflicts were completely at odds. The U.S. view is colored by its "imperialist" outlook, he said, while the Soviets will not agree to abandon friendly nations fighting to protect their independence.

"We would not, for instance, change the strategic balance in our favor because such a situation will enhance suspicion of the other side, will enhance instability of the overall situation."

Welcoming "certain elements of realism" in Mr. Reagan's remarks



# INTERNATIONAL HERALD TRIBUNE

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## Israel: Spying on a Friend

Two worlds intersect in the case of the civilian Navy counterintelligence analyst arrested on espionage charges while bolting into the Israeli Embassy. One is the secret world of espionage. There, it is no surprise to find that some Israelis have been spying on the United States. No doubt people consumed by the sense of living on a narrow security margin find it difficult to forgo an activity that they think might widen that margin.

For the purpose of espionage is not simply to keep an eye on one's enemies. It is to keep from being surprised, and one's friends can cause surprises no less disruptive—sometimes more so—than one's enemies. As generous as the United States is to Israel, there cannot fail to be things the Israelis feel they could learn that would reduce still further the chance of someday being surprised.

It was precisely to reduce the chance of surprise, you will recall, that the United States dispatched the USS Liberty to spy electronically on Israel and the Arab combatants in the 1967 Middle East war. The Israelis shot up the ship in an incident the bad memory of which lingers still. But a prudent person has to hope that Washington did not then decide there was no further reason to keep an eye on Israel.

Meanwhile, however, there is also the open world of politics in which some limitations must be imposed on the ways the two sides seek information about each other. This is the

world evoked by President Reagan's reported question, "Why are they doing it?" Indeed, how could the Israeli spy, in an intrusive risky fashion, on the country that is their leading strategic and financial support and already their partner in extensive intelligence collaboration? The Israelis are holding their own discussions about who is to blame, and it is important to remember that it is not yet known just who authorized this operation or at what level it was conducted. Still, it is enough for Americans to find that some representative of a friendly state saw fit to conduct the kind of operation against its patron that is usually associated with the intrigues of hostile powers.

The value of whatever may have been taken from the files cannot possibly come near outweighing the value of what may yet be taken from the relationship. The notion that an ostensibly friendly intelligence service could not keep its distance from an American civil servant does violence to the mutual trust that Israeli officials regularly describe as the sine qua non of American-Israeli relations.

No doubt many people will now feel that the first priority is to contain any damage done to American-Israeli ties. Others will feel a sense of deep and pained puzzlement. The American courts will handle the case of the Navy suspect. The more interesting question is what the Israelis will say about what was going on.

—THE WASHINGTON POST.

## The Lesson From Medvid

Officials of the U.S. Immigration and Naturalization Service have now completed an investigation of the incident in which two border patrolmen returned a Soviet seaman, Miroslav Medvid, to his ship. They recommended that the agents be demoted in rank and suspended without pay for 45 and 90 days. What are the general rules, and how should the Border Patrol have responded?

About 15,000 foreigners seek political asylum in America each year. These include migrants from Central America, touring artists and sports figures from Communist countries, and innumerable ship-jumping seamen from all around the globe. Each has exactly the same rights under the law to apply for political asylum and to have his case adjudicated in a hearing and on appeal. The rule is that no one seeking asylum is ever returned to his homeland against his will until all the person's legal remedies have been exhausted.

Twice in the past five years, a person seeking asylum has been, through error, sent home before his legal review ended, but in both cases America won his return to the United States.

Under INS regulations, asylum requests filed by citizens of certain countries, primarily the Soviet bloc and China, are treated on an expedited basis. The explanation is that this is necessary so that if the decision is adverse, the person has a chance of returning home within a few days, perhaps before his government

knows he has tried to leave, since these countries have a well-known history of punishing citizens for the simple act of trying to leave; most other countries do not.

The Medvid case should have been handled in this manner. A preordained series of phone calls—to supervisors, to INS in Washington and to the State Department—should have been made immediately. The trouble in this case is that the border patrolmen maintain they were told by a translator that the seaman did not want asylum. Whether this was due to a foul-up in translation, a bad phone connection or the heavy accent of the translator is not known. Moreover, the officers turned Mr. Medvid over to local agents of the Soviet ship and were not even present when his struggle and second leap into the water took place. American officials later took him back ashore; by this time ship officials had talked to him, and he insisted he wanted to go home.

It was a serious failure of judgment not to have been especially careful with a Soviet seaman. There was reason to be skeptical of the long-distance translation. The border patrolmen were slow to seek the advice of superiors. For this the patrolmen are being punished.

As a general rule all persons seeking asylum in America are given every opportunity to make their case and to remain there while they do. That is the way it should be.

—THE WASHINGTON POST.

## The Road to Thanksgiving

For many of us, the Thanksgiving itinerary will involve something far more hazardous than going over the river and through the woods. The paths to holiday get-togethers are fast lanes, loaded with deadly dangers on this from the driver's seat. That's been the message all fall from the Washington Regional Alcohol Program, a coalition that has been coming up with practical suggestions on mass temperance. With the cooperation of restaurants, bars, hotels, auto dealers and civic leaders throughout the region, WRAP is urging groups of people to designate one person to abstain from alcohol and to do the driving for the rest. That's not a complicated or demanding mission. It could prove to be the life of the party.

—THE WASHINGTON POST.

## Other Opinion

### Hijacking and Libyan Links

Achille Lauro crowd came to justice in Italy. Egypt has yet to produce the conclusive evidence which it says links Colonel Moamer Qadhafi's Libya with the murderous hijacking of the Egyptian Boeing. The colonel already has so much to answer for that Egyptian suspicions will get a sympathetic hearing, but so far hijacking has not been one of his specialties, nor that of the other chief suspect, Abu Nidal's terrorist group, whose forte is assassination.

It may be that the usual motives were absent in this case and that the hijackers simply wanted to blow up the plane, which had symbolic meaning as the vehicle by which the

—The Guardian (London).

### FROM OUR NOV. 28 PAGES, 75 AND 50 YEARS AGO

**1910: China Weighs Currency Reform**  
PARIS—China's National Assembly is reforming the currency system. Anything more complicated than the existing system in China could not be imagined except by a madman. The standard of value throughout the Empire is not a coin, but a weight of silver, the tael, and this weight varies in different provinces. There is the Hukwan tael, the Kuping tael, the Hankow tael, the Shanghai tael. As the price of silver fluctuates, it is necessary, in commercial transactions, not only to bear in mind the current rate of exchange, but also to remember what particular tael is being considered. Every commercial transaction necessitates a most complicated mathematical operation. One of the first undertakings of "Young China" must be the establishment of a uniform coinage in the Empire and the creation of a Mint.

**1935: Hitler Links Bolshevism to Jews**  
BERLIN—"Germany is the bulwark of the West against Bolshevism and in combating it will meet propaganda with propaganda, terror with terror, and violence with violence," said Führer and Reichs Chancellor Hitler in a recent interview. Questioned as to the grounds for Jewish legislation passed in the Reichstag session at Nuremberg in September [forbidding marriages between Jews and persons of German blood and nullifying most civil rights for Jews], the Führer said: "The necessity of combating Bolshevism is one of the fundamental reasons for the Jewish legislation. This legislation is not anti-Jewish, but it is pro-German. Through these laws the rights of the Germans shall be protected against destructive Jewish influences." He said that practically all Bolshevik agitators in Germany had been Jews.

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## Egypt's Deepening Dilemma as Sick Man of Arab World

By Joseph Kraft

WASHINGTON—World War I started because Austria and Turkey could not keep order in the Balkans. China's inability to make its writ run outside Beijing contributed to World War II.

Egypt's recent troubles acquire their true dimensions against this background. Because of internal weakness Cairo cannot live up to international commitments, and the repeated defaults threaten security across a wide area.

Anwar Sadat and the fall of the Shah in Iran made Egypt the prime regional power in the most turbulent part of the world. In the Camp David accords Cairo undertook to keep peace with Israel and to work for Palestinian self-rule. The Israeli connection, by implication, obliged the Egyptians to hold the line against radical Arab nationalism—directly on the border with Libya, and indirectly in sustaining moderate regimes in Jordan and Sudan.

Domestic disorders, however, make it hard for the authorities in Cairo even to police their own domain. The narrow valley of the Nile does not produce enough food to feed Egypt's teeming villages. Economic growth has been slow and uneven. Illiteracy runs to about 55 percent. The state services are bloated, corrupt and dead in morale. In the race to catch up with the 20th century, Egypt is falling farther behind.

Islamic fundamentalism, with its anti-Western and Pan-Arab ambitions, thrives in that climate. The Muslim Brotherhood, it should not be forgotten, started back in the 1920s in Ismailia, the company town of Britain's Suez Canal administration. New growths have flowered among students, in the press, the civil service and within the armed forces.

Soldiers were part of the Islamic group that gunned down Mr. Sadat in

1981. His successor, Hosni Mubarak, has never been able to control the movement. Worry about the internal opposition has repeatedly caused the Egyptian president to pull punches and duck responsibilities.

Sudan represents the most grievous example. Because of its control of the upper Nile that country has a finger on the Egyptian windpipe. Its former leader, Gaafar Nimeiri, was an Egyptian protégé, one of the very few in the region who did not disown Cairo after Camp David. But the Egyptians did nothing when he was overthrown in April. They sat on the hands while the new Sudanese leaders came to terms with Egypt's sworn enemy, Colonel Moamer Qaddafi of Libya. The only response since then has been exposure of a vague Libyan "plot" against Egyptian internal security.

Jordan presents another case in point. After the Achille Lauro affair, King Hussein took his distances from Yasser Arafat, the leader of the Palestine Liberation Organization. King Hussein's clear purpose was to hold Mr. Arafat at arm's length until the PLO agreed to moderate its terrorist activities.

But that strategy was undermined early this month when Mr. Mubarak embraced Mr. Arafat in Cairo. Though Mr. Arafat pledged himself to restrict terrorist activities, his aides immediately forwarded the vow. In effect Mr. Mubarak compromised King Hussein to gain PLO support for Egyptian rapprochement with the rest of the Arab world.

Terrorism has elicited a similarly ambiguous response from the Egyptian authorities. They allowed the desert sands to close over the assassins of an Israeli diplomat in Cairo. Security officials were responsible for

shooting seven Israeli tourists and then denying them medical help. In the Achille Lauro affair, Mr. Mubarak first negotiated the surrender of the gunman, and then connived at the escape of their leader.

Criticism of that wavering probably induced Mr. Mubarak to send commandos when hijackers seized an Egyptian airliner after it had left Athens airport and forced it to land in Malta. Second-guessing the assault and its unhappy end is perhaps not fair. Systematic slaughter of passengers justifies a rescue mission, and the operation was risky. But it is fair to ask what the four security guards

aboard the plane were doing when the terrorists seized control.

The flames that spread through the plane thus illuminated a double tragedy. Sixty innocent persons were killed. Another devastating blow was dealt to Egyptian self-confidence.

Despite the noises about Libya coming from Cairo, it will be harder for Mr. Mubarak and his associates to play the role of regional peacekeeper assigned by history and geography.

Egypt's friends can do more than simply bemoan the pity of things. They can stop pretending that Mr. Mubarak rules over a hard state in firm control of a coherent nation. In

fact he must maneuver among many factions through a civil service that has lost its nerve and an army riddled with corruption. Egypt is the sick man of the Arab world. Mr. Mubarak is no more the heir of the Pharaohs than the Greek leader Andreas Pandroos is a modern-day Pericles.

For America that means taking care not to overburden a heavy and pursuing terrorist yields priority to the maintenance of a friendly regime in Cairo. As to the Israeli, and those of us who support Israel, an important question requires constantly fresh assessment: What does it profit a nation to save its life and let the world around go up in flames?

Las Angeles Times Syndicate



## Summit Leaves Room for Reagan, Gorbachev to Make Progress

By Flora Lewis

B RUSSELS — There is no ambiguity in the delighted European reaction to the Geneva summit meeting. Senior officials at NATO headquarters in Brussels confess it was a welcome internal political gain. It

For a number of allies with strong domestic peace movements, among them West Germany, Britain, Denmark and the Netherlands, being able to call the summit meeting a success is a welcome internal political gain. It

But there is also unsentimental admiration for the way President Reagan handled his first meeting with Mikhail Gorbachev and a satisfied sense that things are going to be a bit easier for everyone from now on.

Prime Minister Margaret Thatcher of Britain was the only one to caution against euphoria at the North Atlantic Treaty Organization's summit conference just after Geneva. Whether Washington likes it or not, serious expectations have been unleashed.

One aspect of the summit session

that will anger rightist Americans but that will also soothe official Europeans' apprehensions on both sides, is the concession Mr. Reagan made on how to pursue the human rights issue.

The president told NATO that he explained in his private talks with Mr. Gorbachev the fundamental importance of human rights concerns for the American people and Congress.

Eastern Europeans are also pleased. Mr. Gorbachev has signaled them that he intends to be tough on both economic and political issues inside the Soviet bloc. But the Easterners always manage to wrangle a little more elbow room when Soviet-American tensions are eased, and they look forward to doing so again.

That was already reflected in the Reagan-Gorbachev joint statement, where the question of rights was renamed "humanitarian" problems, less galling to the Russians. Mr. Reagan also told his own staff he now saw that the United States had been pushing too hard on this point and had to find a better way to do it.

In this switch, he has tilted back toward classical diplomacy, which puts trying to get a point across with a minimum of friction ahead of making a propaganda score. It remains to be seen how this will be worked out, but it added to the European sense that even though very high negotiations are ahead, the danger of East-West confrontation has passed.

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## The 'Eurosclerosis' Doctor Prescribes Some Bitter Medicine

By Joseph Firthett  
International Herald Tribune

KIEL, West Germany — "Eurosclerosis" — hardened economic veins and arteries in Europe — is the diagnosis coined by the controversial West German economist Herbert Giersch.

Economic and social rigidities, in Professor Giersch's view, maintain a false stability that is handicapping Europe today. "Europe's economies are as flexible as they used to be," he says, "but the need for flexibility has become much greater with slower, more difficult growth and a dramatically more competitive world environment."

Professor Giersch, 64, was speaking in his office at Kiel University, where he heads the Institute for World Economy.

"You don't see the crisis in Europe — unemployed people do the best they can on benefits, they keep up their homes, they keep up appearances," he says.

Beneath his office windows, the city's shipyards had a look of tidy respectability, but they have been unable to keep up with Pacific competition, and no new businesses have replaced them.

The term "Eurosclerosis," he says, flashed into his mind two years ago after a long, fruitless discussion about what was then being termed "Europessimism." "Europessimism described a mood, and I thought we needed a word ... to analyze the disease and prescribe a cure."

In his diagnosis, the innovative powers of

European industry have been crippled because subsidies have made them dependent on government bureaucracies and, above all, because of rigid labor regulations.

Postwar Europe's commitment to full employment, when confronted with economic decline in the 1970s, hardened into an attempt to guarantee jobs in all circumstances, he argues. In many cases this extended even to guaranteeing workers that they would not have to change companies within the same industry.

Collective bargaining, which was designed to defend the rights of workers, functions today to protect them only temporarily while impeding industrial changes that might eventually restore growth, Professor Giersch contends.

For example, he notes, inflexible minimum wages imposed by collective bargaining prevent the establishment of some unpaid jobs that could be a starting point for the unemployed.

"We need partial deregulation from employment rules," he says, "especially to break down barriers for the young, who otherwise may never obtain a foothold in the workforce."

In European discussions of industrial reform, he says, the overall public interest rarely emerges in public debate, which he insists is dominated by unions, established businesses and other groups with a vested interest in the status quo. Groups, notably young people and minorities, that want more "openness" in the system are either weakly

represented or turn to the underground economy, he contends.

Professor Giersch notes that postwar European wages rose steadily until the early 1980s. Since 1970, when hourly pay rose in the United States by only 5 percent above the inflation rate, it rose 40 percent in Europe.

This rise was particularly damaging, Professor Giersch says, because the increases were largely in social benefits, not take-home pay. Nonwage benefits account for 89 percent of labor costs in West Germany and 60 percent in France, compared with 28 percent in the United States.

As a result, there is less money in Europe for pay raises since corporate earnings are channeled increasingly into guaranteed uniform benefits, which often are regarded as a disincentive to work. Professor Giersch notes that paid sick leave in West Germany is increasing steadily — and 70 percent of sick days fall on Mondays or Fridays.

In his view, another major side-effect of inflexible labor conditions is a distortion of investments in European technology. European businessmen, he says, tend to invest in technology simply to reduce the workforce, squeezing out the least efficient workers and getting maximum productivity from survivors.

In contrast, U.S. and Japanese industry often buy robots and computers to expand production capacity or to manufacture new products, thus creating wealth and jobs.

The effect, Professor Giersch says, aggravates the "techno-pessimism" that poisons the European psyche. Many of them, he continues, view technological progress as a threat to jobs, not as a source of new industries and a better future.

Among his solutions, he proposes temporary arrangements that include tax holidays, fewer regulations governing working conditions and a dispensation from minimum-wage requirements or, in West Germany, from the wage levels set by nationwide collective bargaining. Such arrangements, he says, would increase European incentives to start companies.

"Europe has major untapped entrepreneurial potential," he says, "particularly among young people, women and the middle-management of existing firms." Small companies are needed in Europe, he adds, particularly in the trial-and-error process of finding new applications for micro-electronics.

Other European rigidities on Professor Giersch's list include the political constraints on industries subsidized or owned by governments and what he terms "notoriously high" taxes, phone charges and rail and air-travel prices in comparison with U.S. and Japanese charges. All siphon off purchasing power, making Europe less competitive and handicapping industrial innovation, he says.

"Europe's weakness is not technological," Professor Giersch concludes. "It's institutional."



'Europessimism described a mood, and I thought we needed a word ... to analyze the disease and prescribe a cure.'

— Herbert Giersch

## Europe Is Pinning Its Hopes of Economic Revival on New Approaches

(Continued from Page 1)  
industries that brought prosperity to modern France — coal mining, steelmaking, textile weaving, shipbuilding — Lille was stoically waiting for an economic recovery. While its patience lasted, there was no market for social and economic innovations.

Today Lille's heavy industries are surviving because of government subsidies. French planners admit that these industries will never flourish again and say that new growth can come only from new kinds of businesses.

And so the government has launched a sweeping effort to modernize France's economy. A crash program in computer literacy put consoles in the classrooms at Pasteur and in nearly 160,000 other public schools throughout the country last September. The Business Shops are encouraged. In parliament, legislation has been drafted in an effort to slash layers of red tape complicating employers' dealing with labor.

"I think the cultural mold is changing in France, not in the revolutionary style we like to believe we practice, but slowly changing to be more favorable to small entrepreneurs," said Alain Rhamage, the national coordinator for the Business Shops. "French people are losing the managerial mystique, which meant the bigger the better ... for industry and for government."

Sometimes cautiously, similar experiments in commercial and social innovation have begun throughout the 10 nations of the European Community and surrounding countries.

European industrialists and political leaders are still very defensive, which is a poor attitude for bold thinking about how to go forward," says Shirley Williams, a founder in 1961 of Britain's Social Democratic Party. "But there is a catch-up-and-compete mood taking shape in the European context."

The new mood, according to numerous West European businessmen and analysts interviewed in recent weeks, corresponds to a feeling that the industrial world is passing a watershed, not just a slump. After a postwar era of easy economic growth, which centered on the rebuilding of industries largely based on prewar technologies, the feeling now is that Europe's heavily export-dependent industries have wasted a decade in recognizing a fundamental change in their competitive environment.

As a liberalizing tide of government deregulation has released the commercial potential of new technologies, U.S. and Japanese corporations — using computers' growing ability to talk to each other by telephone — operate globally with great agility, juggling resources to target markets and overwhelm competitors. The victims include Europeans in their own domestic markets.

"Computer technology, allied with the modern telecommunications that have become part of data-processing, enables big companies to attack global markets," confirms the Italian industrialist Carlo de Benedetti, who has achieved record profits at the Olivetti office-equipment company and who has joined with AT&T to challenge IBM in Europe.

In this last move, Mr. de Benedetti reflects Italy's business climate. The country teams with small companies that are more innovative and profitable than Europe's traditional industrial giants and amazes other Europeans by its social and technological ingenuity.

At the same time, Italian companies consistently bypass inter-European alliances to form partnerships with U.S. and Japanese companies offering technology and market access.

This technological threat has become more urgent because Europe's traditional industries face a rising challenge from newly industrialized countries, which can manufacture cheaply because of low labor costs or cheap energy in newer plants.

Europe's economic problems are "not a cyclical downturn that can be treated with monetary and fiscal manipulation," says Herbert Giersch, the West German economist who heads Kiel University's Institute for World Economy. "It is a long-term trend, but it can be reversed if Europe applies constitu-



The computer at school, the Lycée de Bessières in Paris.

tional therapy to increase opportunities for economic activity.

The U.S. business writer Peter Drucker goes further, arguing that the spread of management skills and the adoption of computer technology have bred an "entrepreneurial society" in the United States.

In his book, "Entrepreneurship and Innovation," which is becoming a best seller in Europe, he contends that small companies can cope with human needs and new technology more effectively than established corporations, producing a lively economy with a few "winners" that grow into global giants.

This new brand of capitalism — a break with a century-long quest for bigger factories and government bigger schools and other social services — is only starting to reach Western Europe, Mr. Drucker says.

He finds corroboration from Edward J. Streator, the U.S. representative at the Organization for Economic Cooperation and Development, the Paris-based coordinating body for 24 non-Communist industrial nations.

"More and more European governments appear willing to give the entrepreneur a chance," Mr. Streator has said. "West European governments from conservative to socialist are reviewing their options

and finding that market-oriented policies, not planning, may be the appropriate solution."

What binds the differing governments is that they all remain stymied by unemployment problems and slow growth. European leaders agree on two major reasons for their predicament:

The first is their countries' lag in technology. The European Community will run a \$12-billion trade deficit this year in "information technology," or computers and the software that runs them, imported from the United States and increasingly from Japan.

Already more than half of the information technology produced in Europe is the work of U.S. and Japanese subsidiaries. Citing that trend, Dr. Robb Wilmut, head of Britain's computer-maker ICL, predicts that in five years the subsidiaries' share of the European market will expand to two thirds.

The lag is extensive, EC officials note that Europe's output of high-technology products for the last decade has grown less than 5 percent a year, compared with more than 7 percent growth in the United States and 14 percent in Japan.

Only in telecommunications is Western Europe more or less equal to the United States and Japan, says Mr. Seitz, the director of planning at West Germany's foreign ministry. He adds: "Even that basic

is changing."

Changes vary widely: loosening state monopolies in products and services ranging from arms to telecommunications; forging multinational industrial partnerships in such high-tech fields as electronics; legislating new academic and research priorities; lifting laws banning most commerce on Sunday.

None of these changes has significantly improved the outlook of any European country yet. Recent twitches of economic revival in Europe, most economists agree, reflect the decline since last summer

in the U.S. dollar's exceptional strength.

Nevertheless, new approaches are widespread and obvious. France's Socialist government is trying to end the social and often legal, stigma on entrepreneurs whose gambles end in bankruptcy. British businessmen, long turned toward the Commonwealth, are pushing the Thatcher government for closer commercial integration into the EC. Italy has started demanding wage settlements indexed to inflation. The Netherlands has limited welfare costs. West Germany is trying to enliven its stock markets.

The EC, conceived initially as a barrier to warfare between France and West Germany, took little account of businessmen's thinking at the start. The founder of the Common Market, Jean Monnet, deliberately excluded industrialists from the informal network of political leaders and labor leaders that he recruited to promote his ideas for European unity.

"Unemployment has become Europe's gravest crisis; it has defined all of Europe's traditional remedies and it is forcing countries to consider radical alternatives," said Michael Rommel, Stuttgart's reform-minded mayor, echoing the views of many politicians and industrialists.

In answer to this, the new wave of economic reforms is similar throughout Europe in seeking to revive business dynamism in fundamental ways. Many educational and social assumptions are being challenged — including the prevailing idea that industrial growth is secondary to the need to redistribute wealth more thoroughly.

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These businessmen — including 20 of Europe's most prominent corporate heads, who have formed the Round Table of European Industrialists — are abandoning their traditional low profile and are starting to lobby publicly for reforms, notes Kasper Cassani, the Swiss-born head of IBM-Europe.

Adds Jacques Delors, France's former finance minister and now president of the Commission of the European Community: "The most ardent supporters of a united Europe today are the businessmen and other groups who are suffering from the lack of a Europe-sized market and a Europe-scale space."

It is a basic fact that research-and-development costs, especially for products containing electronics, are too high to be recovered in the market of any single European nation.

Above all, Europe needs to "change scale," says a statement by the Round Table of European Industrialists. The top priority, the group contends, is a European Commission plan to make Europe a market of 320 million consumers — larger even than the U.S. market of 250 million.

(Monday: Moves to remodel the Uncommon Market.)

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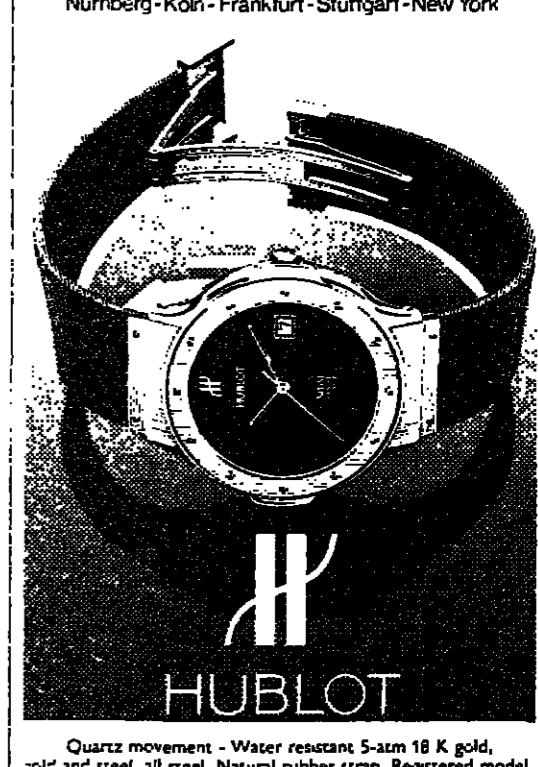
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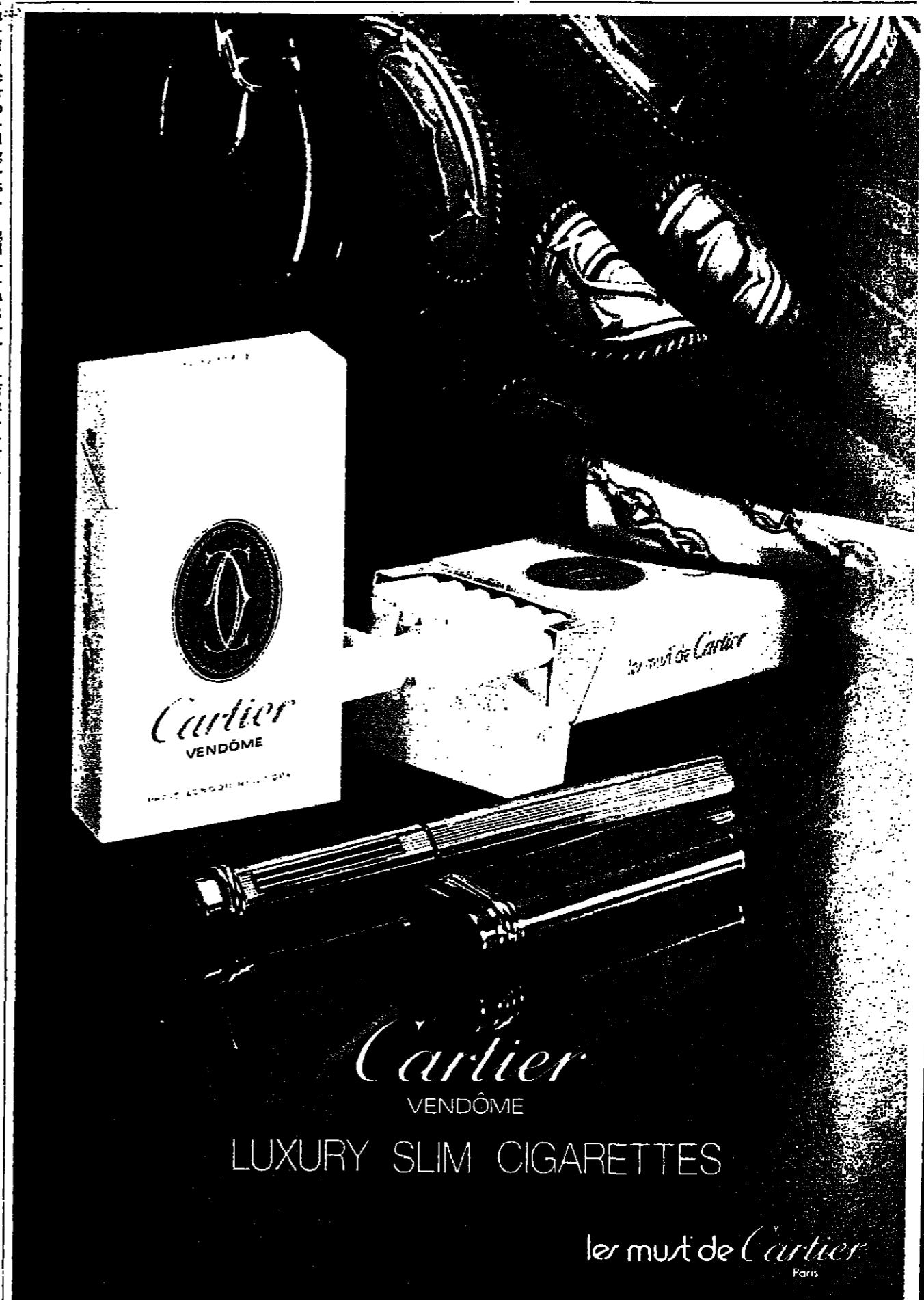
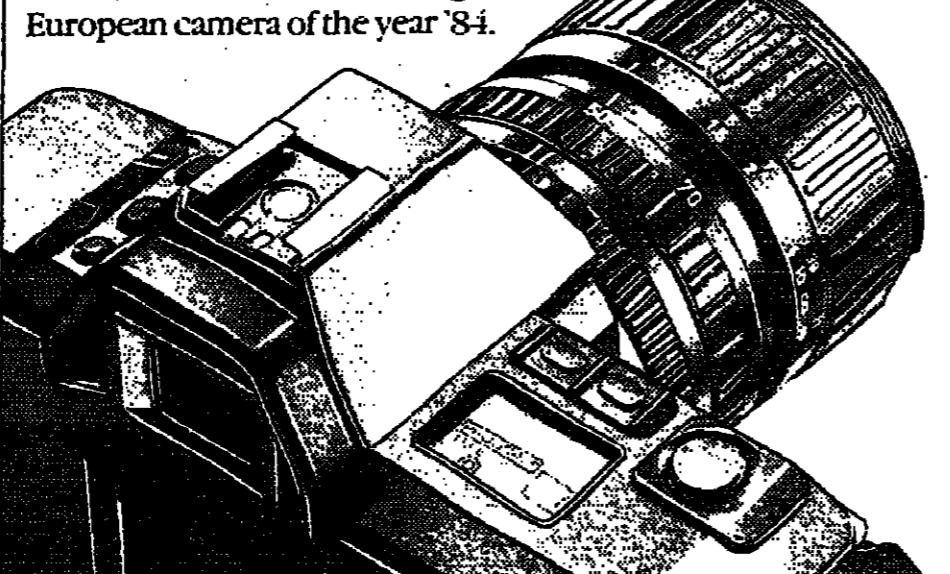
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## SCIENCE

**No Fanfare to Mark Centennial of 'Killing Machine'**By Malcolm W. Browne  
*New York Times* Service

**H**E centennial year of a weapon that may have killed more people than any other is passing unnoticed.

Machine guns attract little notice from the makers of military budgets, because they are relatively cheap. The best .50-caliber heavy machine gun money can buy costs only about \$5,000, and automatic assault rifles that can double as

light machine guns go for only a few hundred dollars each. "Governments spend so heavily on nuclear submarines and missiles," said an executive of a machine gun factory, "that the manufacture of trucks and guns gets the lowest priority. That's the paradox of today's armament industry."

Nevertheless, no army in the world can afford to do without machine guns, and the models being manufactured today are likely to

remain in service for many years. George A. Strichman, retiring board chairman of Colt Industries Inc., said in an interview that he expects the M-16 assault rifle to remain the primary United States infantry weapon until well into the 21st century. The M-16, which is produced by Colt, fires a burst of bullets with a single pull of the trigger, and is thus a form of machine gun.

Regardless of manufacturing priorities, moreover, there seems to be no shortage of machine guns in the United States or elsewhere in the world.

The main supplier of machine guns to the United States' armed forces, Saco Defense Inc. (a subsidiary of the Swiss-owned Alusuisse of America Inc.), is situated in a tidily landscaped suburb of Portland, Maine.

Equipped with the latest in computer-controlled robot forges, lathes, reamers, and heat-treating and plating machinery, Saco's highly skilled work force of 800 toppers up and modernizes the machine gun inventories of armed forces around the world, including those of the United States.

Two main objectives in all new designs, said a Saco spokesman, William K. Gearan, are to increase the service lives of guns while reducing their weight.

Saco's three main products are the M-60 7.62-millimeter machine gun (the standard light machine gun of the U.S. armed forces since 1960); the M-2 .50-caliber heavy machine gun (first made in 1933), and the M-19 40-millimeter machine cannon (first tested at the close of the Vietnam War).

Each of these guns works on a different principle: gas, recoil and blow-back operation. But the three principles have one thing in common — they were all patented by Hiram Maxim between the years 1883 and 1885.

**M**AXIM, who lived from 1840 to 1916, is rarely mentioned in the same breath with Thomas A. Edison, Alexander Graham Bell, the Wright brothers, and the other great American inventors of his day. But in "The Social History of the Machine Gun," the historian John Ellis points out, "Without Hiram Maxim, much of subsequent world history might have been different."

The Maine-born inventor, moreover, was as prolific as his more famous contemporaries. As Edison's chief rival in the design of electrical systems, Maxim installed the first electric lights in a New York City building (the Equitable Insurance Co.) in the late 1870s. Maxim's method of hardening the carbon filaments of incandescent bulbs paved the way for the light bulb credited to Edison. Maxim's airplane might well have flown before that of the Wright brothers, had it been powered by something lighter than a steam engine.

In his autobiography "My Life," Maxim described countless gadgets he invented, some more successful than others. Among the products of his youth were an automatic sprinkler system for a flour mill and an automatic mousetrap. The latter was designed so that the struggling of each victim would reset the trap for the next mouse.

Maxim never reached the pinnacle of success in his native land, but a turning point came for him during a business trip he made to Europe. He later wrote in *The Times* of London: "In 1882 I was in France, where I met an American whom

I had known in the States. He said: 'Hang your chemistry and electricity! If you want to make a pile of money, invent something that will enable these Europeans to cut each other's throats with greater facility.'

Maxim set up a workshop in London and within three years was building the world's first practical machine guns. (Most of the earlier rapid-fire guns, notably the multi-barreled gun invented by the American Richard Jordan Gatling in 1861, had to be cranked by hand. Maxim's gun required only steady pressure on the trigger to maintain a continuous firing cycle, including reloading, cocking and the ejection of spent cases.)

Military historians have noted that almost all of the important designers or developers of machine guns following Maxim were Americans, and that most of them had to go to Europe to implement their ideas. Benjamin B. Hotchkiss set up his factory in France. Colonel Isaac N. Lewis went to England to make the Lewis gun. John M. Browning built a plant in Belgium (where the guns bearing his name are still manufactured) and Hugo Borchardt moved to Germany, where one of his designs became the basis of the Luger pistol.

During his childhood in Maine, Maxim had been knocked over by the recoil of a powerful rifle, and had speculated on the possibility of putting recoil forces to work to operate guns automatically. In London, Maxim devised a spring-loaded bolt action that could store up the recoil energy released by a shot and use that energy for readying the weapon for the next shot.

**A**MONG the most difficult problems Maxim's machine gun action had to solve was the handling of powerful rifle cartridges; a way had to be found to keep the gun's breech tightly closed until each bullet left the barrel. Otherwise, the empty cartridge case would start to leave the chamber too soon, and the gas pressure in the barrel would burst the brass case, ruining the gun and possibly maiming the shooter.

Maxim's solution, and the heart of his design, was a toggle mechanism patterned on the human leg. At rest, the "leg" lay straight and horizontal, its swiveling "foot" pressed against the rear of the bolt, holding it tightly against the breech of the barrel. When a cartridge was fired, barrel, bolt and "leg" would recoil a short distance, remaining locked together until the bullet had left the gun. Then, as the recoiling mechanism continued rearward, the knee joint of the leg would pass under a tripping cam, forcing the knee to bend downward and thus unlocking the bolt.

At that point, the barrel would halt its rearward motion but the bolt would fly backward faster still, hastened by another Maxim invention, a small lever called an accelerator. The movement of the bolt would eject the spent cartridge case and withdraw fresh cartridge from a moving fabric belt. Driven forward by a compressed spring, the bolt would then cock the firing pin, load the new cartridge and fire, repeating the cycle indefinitely until the trigger was released or ammunition was exhausted.

Today's recoil-operated guns, including the M-2 heavy machine gun, work essentially the same way, although the complicated knee-action toggle lock has been replaced by a simpler lock, a steel bar that is

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# Beijing



Oil, China's most important export. Left, Chinese woman working in an oil rig.

As China's modernization progresses, so must its foreign trade.

A look at Beijing's current expansion in the field of exports.

## The Key to Progress Is Foreign Trade

In stunning contrast to the general complexity of China's ongoing economic reforms, one equation is as simple as a pair of chopsticks: National growth requires foreign currency; foreign currency is earned by exports, and thus exports must increase.

An integral part of Beijing's efforts along these lines has been the establishment—in the years since the current wave of economic reforms began gathering momentum in 1979—of state foreign-trade corporations. (Some trading firms have been in existence much longer, of course, and some were established only in 1984.)

New or old, however, their assigned goal is the same: to bring in the foreign exchange needed to finance the modern technology to help China accelerate its drive toward modernization.

China's economic foundations seem reasonably solid these days. According to official figures, China's national income grew by 12 percent in 1984 and in early 1985 was soaring still more rapidly—by an estimated 20 percent. Inflation is being held down to about 3 percent, the government claims, though there is some concern that the pace has quickened in 1985.

But the overall progress indicates that Beijing's leadership has got its sums right, at least for the time being. Recent statements indicate that there will be no slackening of the drive for economic reform.

Party Chairman Deng Xiaoping, speaking in Beijing in late October, said that reforms offered the only solution for directing China toward development and prosperity.

Deng reiterated support for current economic policy, noting that "a combination of planned economy and market economy could further liberate productive forces and accelerate their development."

A Western economic specialist in Beijing noted that China today effectively has three economies: the old-style planned economy, the burgeoning "guided economy" in which the state's role is shrinking as market forces take pre-

cedence, and the "free" economy where, as a Westerner put it, "almost anything goes." In the latter category Beijing observers have noted the proliferation of private taxi firms, barber shops, small inns and restaurants and scores of small repair shops.

The continuing formation of official export-import firms, says a Western observer, is par-



Above, the luxurious Great Wall Hotel; inset, Party Chairman Deng Xiaoping.

of the effort to break major ministries away from production and sales operations and let them get on with broader tasks.

The new trading firms operate more or less their own; accountability and ultimate responsibility for success or failure now rest with them and no longer with the ministries.

Foreign investment has continued to rise, with best estimates of the cumulative totals at about \$3.7 billion. Much of this investment is in oil development.

One highly attractive area

but opening dates are some years off. A dozen more are now in the pipeline for Shanghai.

In general, most hotel operators have opted for the sale, if limited, profitability of booking group tours and ignoring business travelers. (At least one hotel, Beijing's Great Wall Sheraton, will change this policy as of 1986.) For the moment, however, non-Mandarin-speaking business travelers are advised not to visit China without three-confirmed bookings.

## Metallurgy Includes Giant Trucks

Big countries, big trucks—logical enough, but the trucks put together by the China Metallurgical Import and Export Corp. (CMIEC) and UNIC Corp. of the United States still seem outsize. The Unic truck (parts made in China, assembly in the United States) has a 100-ton payload and is used in mining operations in both countries.

Founded in January 1980, CMIEC was set up, says Chen Qinghui, vice president, to accelerate business dealings abroad and at the same time help raise China's technology level.

In business scope includes the following categories:

- The export of metallurgical products such as ores, alloy steels, rare earth metals and refractory materials.

- The importing of iron ore, manganese ore and chrome ore.

- Joint ventures and com-

pensatory trade deals with foreign partners on metallurgical industry projects.

- Imports of equipment, machine parts and instruments for steel plants and mines.

- Importing and exporting of technological know-how.

- Cooperative production of metallurgical equipment (such as the truck contract with UNIC) and processing of parts for foreign firms.

- Processing of metallurgical products for foreign firms with materials provided by those firms (the so-called toll processing arrangement).

Chen reports that production is rising every year, but says that demand is rising too—so much so that his firm must import metals from other countries.

Wuhan's huge steel-making complex, for example, uses about 80 percent Chinese ore in

its production but must supplement its requirements with about 20 percent imported ore. Most of these supplemental ores come from Australia (which sends both iron ore and manganese ore). Other regular suppliers include Brazil, India, Algeria and Pakistan.

Also from abroad, via CMIEC, come technicians and know-how to help improve China's production abilities. Both West Germany and Japan, for example, have sent technicians to the huge Baoshan steel complex near Shanghai to train Chinese counterparts. There have been infusions of technology as well from France, Britain and Australia.

Another important area of projected involvement is in the enormous iron and steel project being put together by Hong Kong multimillionaire Sir Y.K. Pao in Ningbo. That city's large-scale port development scheme, combined with plans for significant economic development, makes the northern fringe of Zhejiang province a place for foreign traders to watch.

In its turn, China exports technological know-how, mostly to the Middle East and Africa, in the form of helping to build airports, roads, apartments and office buildings.

Will Beijing replace Paris as the world's fashion capital?

Not immediately. But after decades of churning out millions of meters of utterly simple clothing, China's textile manufacturers are beginning to think a bit more about style. Specifically, French style.

"In the past," says Liao Shaoguang, deputy general manager of the general business department, China National Textiles Import and Export Corp., "our problem was to keep people warm, not stylish. Now we have solved this problem, and our people want more colorful and more stylish clothing."

In August a 12-person Chinese study team went to Paris to study the latest fashions at the French showings. They're now busily at work in their Beijing studios.

We aren't sure just when we'll see the results of the French trial," says Liao, "but come back here next spring and you will see many stylish garments. We will combine Chinese characteristics with new Western styles."

How about the current rage for Japanese fashion? Liao smiles. "Next year we will send a study team to Tokyo or Osaka."

Back in 1961, when the corporation was founded, style was not a priority. Much more important then was simply providing enough cloth to adequately clothe China's millions. In 1960 the total gross value of imports and exports was about \$400 million.

The dimension of the industry's growth is reflected by the 1984 totals for exports only—\$4.1 billion.

Operating under the Ministry of Foreign Trade, the corporation supervises two major units—Chinatex, Raw Material

Corp. and China Garment Accessories Corp. There are 45 branch offices outside Beijing, located in all provinces and in many municipalities besides.

The corporation handles imports and exports of cotton, synthetic fiber, wool and garments that use these fibers such as yarn, knitwear and woven clothing as well as flax for linens.

In the past the corporation dealt mostly with raw materials and semi-finished products such as cotton yarn, cotton and synthetic fabrics as well as "grunge" (gray) unprocessed fabrics.

But now as production rises the corporation currently does business with 160 nations and regions around the world. China has signed bilateral textile agreements with the European Economic Community and six nations: the United States, Austria, Canada, Nor-

way, Finland and Sweden. Other key export markets are Japan and Hong Kong.

Only a step behind are New Zealand, Australia, Singapore, Macao, Argentina, Brazil and several Middle Eastern countries.

In recent years exports to Eastern Europe and the Soviet Union have risen and some trade goes on as well with African countries such as Senegal, Lib-

ya, Morocco, Tunisia and Algeria.

Above left, Yves Saint-Laurent surrounded by decorative arts students and their fashion drawings in Beijing last May. Above, Saint-Laurent exhibition at Fine Arts Palace.

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Exports will continue to figure importantly as China's economy grows. "We anticipate a great leap forward," says Liao, "in doubling our production by the year 2000. And we will continue to increase exports to gain foreign currency and help speed the Four Modernizations."

With that sort of endorse-

ment, Hebei's chestnuts eventually became China's best-known nuts. The Japanese in particular are heavy importers of the product, but Hong Kong and Southeast Asia are also regular customers.

The chestnuts are exported by the China National Cereals, Oils and Foodstuffs Import and Export Corp. Xu Zhijun, deputy manager of the Fruit and Vegetables Department of the corporation, recognizes that chestnuts are grown in many other parts of the world, but she admits to being a strong partisan of her own product.

"It's a bit sweeter than foreign chestnuts," she says, "has its own specially good taste, is easier to peel and easier to store."

Each year, Chinese chestnut growers produce about 25,000 tons. Hebei's primary growing area is Yenan County, about

400 kilometers west of Beijing, and its products are shipped to Japan under the Tianjin brand. Other growing areas are in Shantung, Hubei, Kansu, Zhejiang, Hunan and Honan.

Yenan, however, has been a leading producer for 3,000 years, largely because Yenan's climate suits the trees. Yenan chestnuts have a good bright color and are very solid (containing 10.7 percent protein, 7.4 percent fat, 17.1 percent starch and glucose, and many essential vitamins).

The corporation exports—and imports—considerably more than chestnuts. Among its offerings are a wide selection of fresh, dried or frozen fruits and vegetables; cereals; edible vegetable oils; livestock, poultry and meat; canned goods; marine products and wines and spirits.

## Textiles Now Focus on Style

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More and more, demand is for finished garments. As Liao notes, "People no longer make their own clothes. They prefer to buy things ready-made."

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## The Imperial Flavor of Chestnuts

The year was 1900. The Boxer Rebellion had just collapsed, and the Allied army was cracking the two-month Siege of Peking. As the Allies entered the imperial city, Empress Dowager Tz'u Hsi and her son, the Emperor Kwang Hsu, fled west through the plains of Hebei to the old Western capital of Sian, 1,100 kilometers (680 miles) away.

Deserted by many in her entourage, the empress found herself short of food. Pausing in a small village, she demanded sustenance from the peasants and was given one of their staples, chestnut cakes. Used to considerably more exotic fare, she demurred at first, then tasted. And from that point on—so the story goes—Hebei chestnuts became her favorite food.

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**FIVE SUBSIDIARIES OF CHINA NATIONAL NATIVE PRODUCE AND ANIMAL BY-PRODUCTS IMPORT & EXPORT CORPORATION**

With the approval of the Ministry of Foreign Economic Relations and Trade of the People's Republic of China, and the State Administration for Industry and Commerce, the China National Native Produce and Animal By-Products Import & Export Corporation has set up five subsidiary organizations in Beijing. We are willing to expand business, strengthen cooperation and exchange technology with the economic and trade circles all over the world.

**CHINA CARPET**

**IMPORT & EXPORT CORPORATION**  
Business scope: Importing and exporting carpets, rugs, wall tapestries, floor-coverings made of various kinds of fibres, and materials, auxiliaries, equipment, and technology, as well as interior decoration materials.

Address: 82 Dong An Men Street, Beijing, China

Telex: 22896 TUHSU CN

**CHINA TEA**

**IMPORT & EXPORT CORPORATION**  
Business scope: Importing and exporting tea, coffee, cocoa and beverages.

Address: 82 Dong An Men Street, Beijing, China

Telex: 22899 TUHSU CN

**CHINA FLOWERS**

**IMPORT & EXPORT CORPORATION**  
Business scope: Importing and exporting ornamental plants, birds, fishes and pet animals, as well as horticulture; conducting technical cooperation and handling domestic sales.

Address: 22 Banchang Lane, Jiao Dao Kou, Beijing, China

Telex: 210204 CFCO CN

**CHINA TIMBER**

**IMPORT & EXPORT CORPORATION**  
Business scope: Importing and exporting timbers and timber products.

Address: 82 Dong An Men Street, Beijing, China

Telex: 22898 TUHSU CN

**CHINA**

**INTERIOR DESIGN & DECORATION MATERIAL IMPORT & EXPORT CORPORATION**

Business scope: Interior designing, decoration works, import and export of decoration materials, furniture and fixtures.

Office: 82 Dong An Men Street, Beijing, China

Reception Room: Peace Hotel, (No: 3 Gold Fish Alley, Beijing)

Telex: 210207 SURDD CN

# Silk: 2,000 Years on the Market

For centuries silk has been the prime link between the Orient and the Occident. Little wonder that the network of caravan trails linking China to the Mediterranean 2,000 years ago was called, quite simply, the Silk Road.

Although other nations now produce their own silk, China still dominates the market. "Total world silk production," says Li Haoran, vice president of the China Silk Corp., "is well over 50,000 tons a year, and China produces 60 percent of this." Perhaps more significantly, China these days handles 50 percent of world raw-silk exports, a good deal of which goes to Japan, India and the Soviet Union. In the fabric area China exports 40 percent of world-market silk fabrics, and most of the raw material for U.S. high-fashion silk comes from China.

Despite the age of China's silk industry, the China Silk Corp. is new on the scene. Founded in March 1982 to, as Li puts it, "put an ancient industry under rational control," the corporation's officers are directly responsible to the State Council.

Production and marketing facilities now are under one roof and are well on the way to being completely integrated. "This has improved our economic and export efficiency," Li says. "Before, we had to



write to the State Council to get top-level decisions made. No more."

The corporation's business is mainly in silk exports. It also handles imports of chemical fibers, dyestuffs and dye machinery. Domestic silk sales, formerly

under the Ministry of Commerce, now are handled by China Silk. And cocoon purchasing, once under the All-China Cooperative Corp., also comes under the corporate umbrella.

That's not all. The corpora-

*Putting an ancient industry under rational control*

tion also works with two universities and one silk industry school as well as many silk research institutes. "Now," says Li, "we handle the whole process, from the cocoons to ready-made goods."

So far, he adds, the state is

pleased with the corporation's progress. "Under the plan, we hope to triple our production before the end of the century. But this will be difficult. We must worry about improving quality as well as quantity and delivery efficiency."

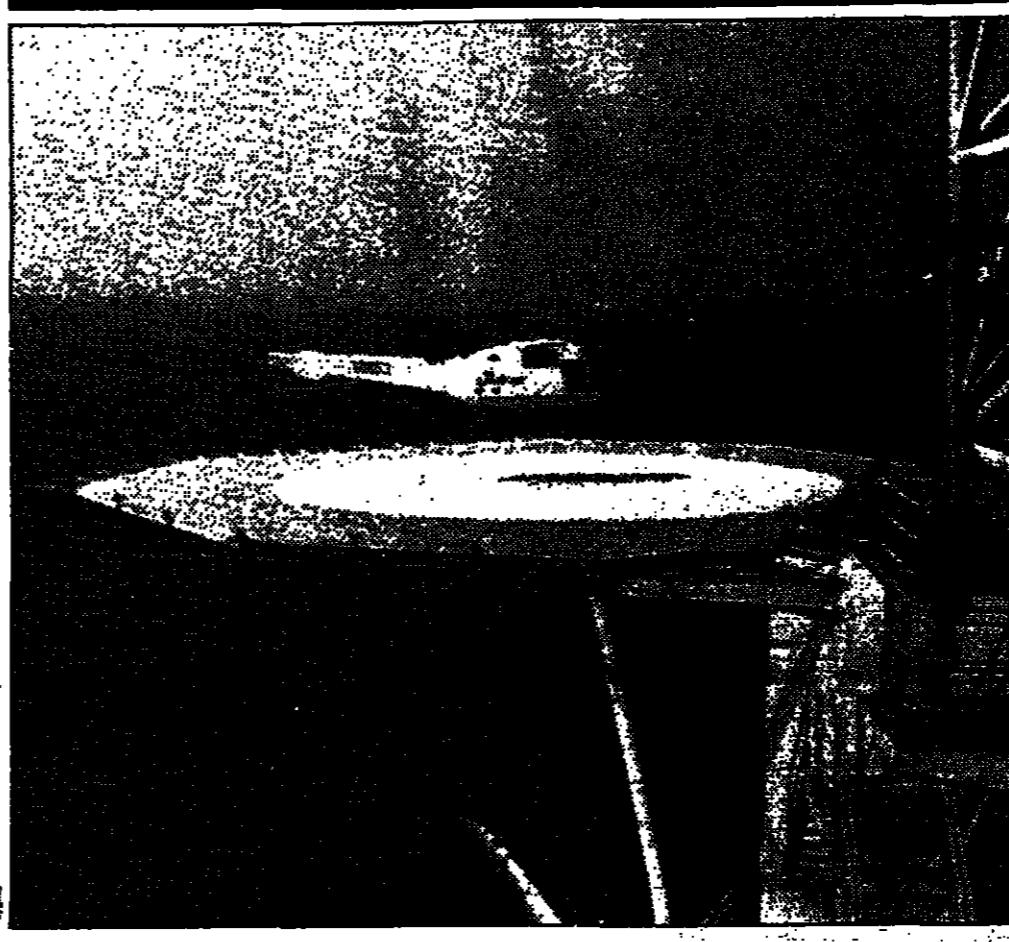
Li points out that China dominates the world in its quantity of silk production but lags in quality, finishing, style and promptness of delivery.

"We will change this situation, but this will take a long time. In Japan and West Germany, higher technology produces better quality. We have no intention of destroying the silk industry in Western Europe... this dish must be shared by all."

As it now stands, China exports 4,000 tons a year of raw silk, as well as large quantities of silk fabrics to Western Europe. Japanese silk is three times more expensive than the world market price of \$25,000 a ton (about ten times the price of cotton). Only China, according to Li, can provide top quality at this price.

His corporation's exports of ready-made goods are also growing, but China's annual

*In less than 15 years, the Chinese went from total oil dependence to total oil independence opening the way to new export items. Left, a Chinese offshore drilling rig. Below, a worker in a petrochemical complex.*



## Ad Trade Specialists

Business contract with import-export firms is smoothed by the China International Advertising Corp., founded in 1984. Headed by Ruan Jiageng, president, and Wang Bo, vice president, CIAC is an independent economic entity, responsible for its own management—and its own profits and losses.

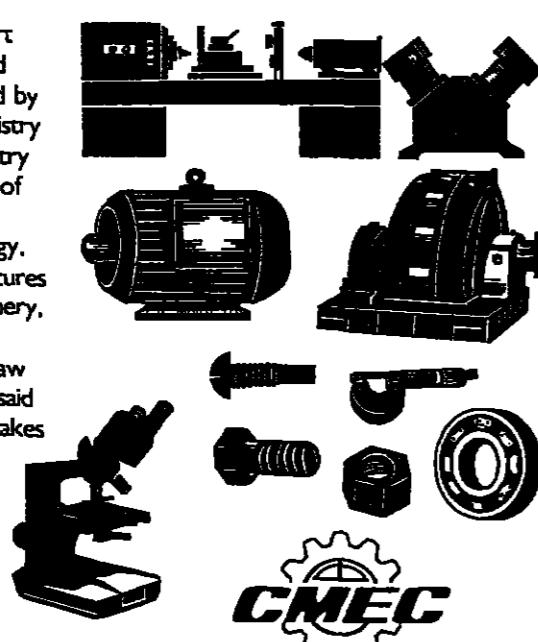
The firm also acts as an agent for China's export commodity advertisements in other countries as well as handling overseas advertisements in China.

Its major objective is to open up international advertising business. To this end CIAC will design ad layouts, provide economic information and advise on sales strategy.

materials and assembling with supplied parts, compensation trade, technical service and labour export.

**Main Export Items:**

- Machine Tools & Tools
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## China National Machinery & Equipment Import & Export Corporation

CMEC deals in the export business of machinery and instruments manufactured by enterprises under the Ministry of Machine-Building Industry of the People's Republic of China. It handles the introduction of technology, co-production, joint ventures and the import of machinery, equipment, instruments, parts, components and raw materials by the said enterprises. It also undertakes trade practices such as processing with supplied drawings, samples and

portions are running 20 percent ahead of last year's numbers. Foreign exchange income so far is up 22 percent.

This is CNC's 35th anniversary, and its activities are distinctly different now than at its founding. In those days imports were all-important, but now the tables have turned. China has become self-sufficient in many items and now can export products previously imported.

A leading example is oil, imported 100 percent in 1949. In following years, China's petroleum development gathered speed. By 1962 the country had reached self-sufficiency levels

and began exporting small quantities of crude. A decade later, 2 million tons of crude were being exported annually to Japan. Since then millions of tons of crude, light-diesel and aviation fuel, coal oil, lubricating oil and petroleum have been shipped to customers in Japan, the Philippines, Thailand, Singapore, Korea, Australia, Turkey, Italy, Spain, the United States, Brazil, Chile and Romania.

Today oil is China's most important single export.

But it is not by any means CNC's sole money-maker. Among its other exports are

organic and inorganic chemicals, dyes, printing inks, chemical reagents, synthetic rubber products and pesticides. Customers for these products are in more than 130 countries across the world.

The corporation continues to expand its activities abroad. Independent offices have been set up in Hong Kong and Japan, and a representative office is located in Singapore. There are branch offices in the United States, France, West Germany, Japan, Panama, Singapore and Hong Kong. Plans are also under way for more branch offices in Brazil, Britain, Thailand and the Middle East.

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the world.  
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the increase of  
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Tea  
Work

## Tea Tempts the World's Palate

The names themselves call up a world of sumptuous tastes: Keemun, Panyang Congou, Lapsang Souchong, Lung Ching, Hyson, Gunpowder, Jasmine, Yulan, Flower Peacock, and Export Corp. This figure represents about 10 percent of the corporation's total 1981 exports of \$2.5 billion and is by far its single most valuable export.



*Blended, black or green, China's tea remains the world's most popular.*

Black Brick. And consider the Oolongs alone: Chi Chung, Ta Hung Yen and Ming Xiang—all semifermented varieties with strong, full flavor.

China's tea, it's fair to say, is the world's most popular and its variety is huge. While Americans prefer blended teas, West Germans and Britons like black tea (Britain alone imports 200 million tons of black tea a year) and African nations prefer green tea.

All in all tea exports earn China \$200 million a year, according to Bi Yingwen, assistant manager of the China National Native Produce and Animal By-products Import

More than 10,000 products are sent abroad each year, but a select group of only a dozen (including tea) generates \$500,000 to \$1 million apiece. Among the other big earners are mini oil, carbon, cashmere, hog bristles, sausage casings and angora. China controls more than 90 percent of the world Angora rabbit-fur market.

The corporation divides its products into three categories: tea, animal by-products and native produce, each with its own star attractions.

In the animal by-product sector, carpets are the most important single export. Demand for down has risen significantly. Bu-

ture and kitchenware made of bamboo are seen in most parts of the world. Spices (such as dill, coriander and pepper) and essential oils (basil, spearmint and patchouli) are also important. And most people in the world have heard of Chinese firecrackers.

With 64 domestic branches and many offices and representatives abroad (London, Paris, Tokyo, Hamburg and Paramus, New Jersey among them), the 35-year-old corporation is active worldwide. Ninety percent of its exports go to four major areas—the United States, the European Economic Community, Japan and Hong Kong—in roughly equal proportions.

Traditional Chinese medicines, relatively little known in the West, have a ready market in Japan and Southeast Asia and to a lesser extent in the United States and Western Europe (notably France and Italy). Yuan points out that herbal medicines made here are now being tested by laboratories in the United States, West Germany, Switzerland and the Soviet Union.

Under the latest Five Year Plan (1985-90), Yuan says that the corporation hopes to double sales—and double them again by the year 2000. To help that drive, branches are to open in major world cities. Hamburg is set, and negotiations are proceeding for more offices in New York, Hong Kong and Japan. The corporation has a total of 43 branches in China itself.

The "crude drugs" come from nearly all parts of China.

## Exporting the Factories Themselves

In central Pakistan's city of Gudka this month, final work is accelerating on a huge new 210-megawatt thermopower station, exported in its entirety to Pakistan by one of China's burgeoning import-export corporations.

This is a turnkey operation, says Xi Yudi, acting president of the China National Machinery and Equipment Import and Export Corp. (CMEC). The plant's Pakistani owners need only turn a key, in effect, to spark it into operation on completion next February.

So far, Xi says, this is the largest complete thermopower station his firm has installed abroad. CMEC supplied every-

thing from design and equipment to the workers and technicians needed to install the plant and train its new Pakistani operators. Almost 400 Chinese in all were involved. In addition a Pakistani team came to China for training, while a small Chinese unit will remain in Pakistan for the first year of operation to oversee operation.

The Pakistan contract is an example of the corporation's Third World-oriented policy, Xi says: "Our technology is more suitable to the Third World, and thus it is a natural objective."

But CMEC also ships selected products to Western customers. Its heavy lathes, for

example, are turning now in Hannover, West Germany. It has sold steel-rolling mill equipment to Siemens in that country. And there are other connections as well: General Electric and Westinghouse in the United States, Alsthom Ateliers in France, BBC Brown Boveri of Switzerland and several Japanese firms. CMEC works under the Ministry of Machine Building Industry, which has eight major categories of products:

- Machine tools and toolings, grinding machinery and abrasives.
- Electrical products and generators, hydropower equipment, electrical cables and wires

and electrical motors.

- Heavy mining machinery, excavators and cement factories.

- General petrochemical machinery, including pumps and compressors.

- Electric and electronic instruments and meters.

- Hydraulic equipment and bearings.

- Agricultural machinery.

- Automobiles and trucks (CMEC does not handle exports of the latter two categories).

Founded in June 1978 as China's major economic reforms gathered impetus, CMEC in 1984 exported a total of \$350 million, up about 10 percent

from the 1983 total of roughly \$310 million. It has 56 branches within China; one in each of the 28 provinces except Taiwan and Tibet, one in the Shenzhen autonomous zone near Hong Kong and others in major cities such as Wuhan, Chongqing, Sian and Shenyang.

There are many offices abroad as well. Hong Kong is of course a major operation, and CMEC has a total of 22 foreign branches. These are located in West Germany, Britain, France, Turkey, Pakistan and Japan. Joint operations are expected soon in Chile and Australia, and there are plans afoot as well for offices in the United States and Peru.

## Discover The Flavour Which Made Hebei Chestnuts Famous

In a country with a long tradition of dedication to good foods, it is often said that the Chinese relish Hebei Chestnuts more than many other delicacies.

Hebei Chestnuts have been well-known and widely enjoyed in China for centuries but their adoption as a favorite food of an empress of China in the Qing Dynasty made their popularity even more widespread.

Every 100 grammes of Hebei Chestnuts contains essential vitamins and minerals and these constituents:

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## CHINA NATIONAL MEDICINES & HEALTH PRODUCTS IMPORT & EXPORT CORPORATION HEAD OFFICE

China National Medicines & Health Products Import & Export Corporation, Head Office is a specialized trade corporation under the Ministry of Foreign Economic Relations and Trade with branch offices scattered in various provinces, autonomous regions and major ports of China representative or operational agencies are also to be stationed in the leading markets of the world.

The purpose of the Corporation is, according to the policy of opening to the outside world and focusing on the increase of economic efficiency, to actively develop import and export trade in medicines, health products

and surgical instruments, to absorb foreign investment, to introduce technical know-how, to practise joint ventures and joint operations through the channel of trade, thus promoting the process of modernizing China's medicines, health products and surgical instruments.

With this end in view, we warmly welcome our counterparts in various places of the world to enter into business relations and develop trade with us on the basis of equality and mutual benefit, and we will do our level best to provide facilities to our customers.

Address: Building No. 12, Jianguomenwai Street, Beijing, China.

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## From Otter Liver to Antibiotics



Chinese herbal medicines have become an important export item.  
Left, "Cultivating Medicinal Herbs" painted by Pai Hsu-hao, a male commune member.

It is all a little bit like the first scene of "Macbeth," reading these catalogues: no eye of new or toe of frog, to be sure, but the customer is offered deer antler or sinew, dried frog, otter liver and fossil teeth. And then there's licorice extract, loofah sponges, mace, indigo, hops, ginseng and that old favorite, white fungus. All these items and thousands more besides are among the offerings of the China National Medicines and Health Products Import and Export Corporation.

The firm was established January 1, 1984 to deal with imports and exports "more professionally" than before, explains Yuan Zhengping, deputy general manager of the corporation's research and development division.

There are two major sectors of the corporation: the so-called "crude drugs," or Chinese herbal medicines, and Western medical implements and drugs that either were developed in China or are made here under license. Exact totals of recent imports and exports are not available, but Yuan speaks of "a few hundred million" U.S. dollars.

Traditional Chinese medicines, relatively little known in the West, have a ready market in Japan and Southeast Asia and to a lesser extent in the United States and Western Europe (notably France and Italy). Yuan points out that herbal medicines made here are now being tested by laboratories in the United States, West Germany, Switzerland and the Soviet Union.

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### IMPORT AND EXPORT ITEMS

1. Crude Oil
2. Oil products
3. Chemical fertilizer
4. Natural rubber
5. Chemical constituents
6. Plastics
7. Paints
8. Printing inks
9. Dyes
10. Pigments
11. Pesticide
12. Synthetic rubber
13. Rubber products
14. Chemical reagents

### SINOCHEM 1950-1985



### OFFICES

1. Branch corporations in 26 of the 30 Chinese provinces, metropolitan and autonomous regions.
2. Branch corporations in the cities of Chongqing, Guangzhou, Wuhan, Shenyang, Dalian and Harbin.
3. Jinchuan United Trading Co., Jinchuan, Shanghai
4. Yanshan United Foreign Trade Corp., Yanshan, Beijing
5. Laohua United Foreign Trade Corp., Laohua, Luoyang, Henan Province.
6. China Resources Petroleum and Chemicals Corporation, Ltd., Hong Kong.
7. Nam Kwong Trading Co., Macao.
8. Representatives in Japan, Federal Republic of Germany, France and Singapore.
9. Sole and joint ventures in USA, Hongkong, Japan, Panama and Federal Republic of Germany.

### CHINA NATIONAL TEXTILES IMPORT & EXPORT CORPORATION

China National Textiles I/E Corp. (Chinatex) is a state-owned enterprise dealing in the import and export of textiles. We do business in many different ways, such as joint ventures, cooperative enterprises, agency representation and supplied materials processing. We cordially invite business people all over the world to contact us for discussion.

#### Chinatex Products and Services

We import and export cotton, wool, man-made fibers: cotton yarn, man-made fiber yarn and blended yarn; sewing thread, woolen knitting yarn, blended knitting yarn, grey cotton cloth; bleached, dyed, printed and yarn-dyed cotton fabrics, polyester/cotton fabrics, man-made fiber fabrics, including fabrics, linen; worsted and woolen fabrics, plush, interlining wools; garments for men, women and children, infant's outfit, cotton knitwear, woolen knitwear, man-made fiber knitwear, blended knitwear, cotton and blended manufactured goods and blankets.

#### Chinatex Subsidiaries and Other Organizations

China Textiles Raw Materials I/E Corp. deals in cotton, wool and wool tops, man-made fiber raw materials (1. polyester: polyester cotton, polyester tops and polyester finished yarn, 2. Acrylic: acrylic cotton, acrylic tops, acrylic yarn and acrylic fur; 3. Terylene: terylene cotton, terylene stretch yarn; 4. man-made cotton); all kinds of man-made fiber fabrics for garments and other industries.

China Textile Garments Accessories I/E Corp. deals in linings (including man-made fur), paddings, sewing threads, embroidery threads, straps, laces, elastics, labels, zippers and buttons.

China Export Garments Research Center promotes technical exchange and further development of China's garment export. It offers a wide range of services including fashion design, trade information and marketing consultation. It also imports garments for design research and deals in the export and domestic trade of fabrics and clothing accessories. The center is also active in other businesses such as joint ventures with foreign partners and cooperative enterprises.

China Fashion Magazine Press publishes "Fashion" magazine (in Chinese) and "China Fashion" magazine (in English). They provide the latest information on the fashion world, introduce new fashion designs and new garment products. The Press also offers consultation services, organizes fashion design competitions and fashion shows. Both publications accept advertising.

For further information, please contact:



China National Textiles I/E Corp.  
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# Wednesday's **NYSE** Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

12. According to the above information, which of the following is true?

(Continued on Page 12)



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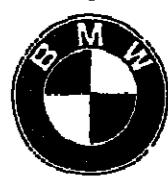
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teamwork entrepreneurial foresightfulness and the ability to recognise the ultimate in contemporary values. And they also demonstrate that, on 4 wheels as well, you have no intention of travelling in the wake of progress. Furthermore, by allowing your colleagues to step behind the wheel of a BMW, you're also telling them that you believe greater effort deserves greater reward.

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# INTERNATIONAL POSITIONS



## ABU DHABI NATIONAL OIL COMPANY ANNOUNCES THE FOLLOWING VACANCIES

### PLANNING SUPERINTENDENT

Responsible for the work of the Planning Department in Exploration & Production, comprising studies on ADNOC Group strategies for the changing environment, and on optimisation/development of operations and facilities in the ADNOC Group Oil Operating Companies, integration of ADNOC and Operating Companies' work programmes and budgets, and monitoring and evaluation of plan implementation.

The candidate should have a B.Sc. in Petroleum/Mechanical/Chemical Engineering or equivalent, with minimum 12 years relevant experience in the petroleum production industry including 5-6 years in a managerial or senior supervisory level.

### SUPERVISOR - PLANS & PROGRAMMES COORDINATION

Responsible for the evaluation and consolidation of work programmes and annual plans of the ADNOC Group Oil Operating Companies (OPCOs) and integration of ADNOC Sole Risk plans for exploration, condensate and gas. Directs the appraisal of budgets and expenditure phasing. Monitors OPCOs' performance, identifies and analyses major problems, and formulates recommendations on course of action.

The candidate should have a B.Sc. in Petroleum/Mechanical/Chemical Engineering or equivalent, with minimum 10 years relevant experience in the petroleum production industry, including 4-5 years at a senior supervisory level.

### SERVICE COMPANIES' COORDINATOR

Responsible for the review, analysis and follow-up of work programmes, capital projects, budgets and operations of assigned oil industry Service Companies in the ADNOC Group. He is required to see that ADNOC objectives for the Service Companies, particularly in relation to the petroleum industry in Abu Dhabi, are optimally fulfilled, and prepare review reports and recommendations for submission to ADNOC management.

The candidate should have a B.Sc. in Engineering with minimum 10 years experience in industry (preferably petroleum related) including 4-5 years experience in a senior supervisory level.

### OPCO'S OPERATIONS COORDINATOR

Represents ADNOC and coordinates and monitors on its behalf all activities related to the operations and related services of the Oil Operating Companies in the ADNOC Group, so as to conform to ADNOC's policy and guidelines. Represents ADNOC in the related Tender Boards and prepares recommendations on ADNOC position on contract awards renewals, extensions and purchases for submission to ADNOC management.

The candidate should have a B.Sc. in Engineering, with minimum 10 years engineering experience in oil or allied industry with 4-5 years in the drilling and production operations in a senior supervisory level.

Very good knowledge of English is essential for all these appointments. Knowledge of Arabic will be an advantage.

Interested candidates are invited to forward their application together with photocopies of their education and experience certificates, within three weeks from the date hereof, to:

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## Why \$ Billions will be Pouring into Energy with the Right Stocks Just Starting to Climb

Many nervous analysts were bombarded during the oil-price stamp of late 1984 when Texaco paid \$10.2 billion for Getty. But indigo points out in its current report, recent \$6 to \$7 gains in the price of spot crude may have confirmed that Texaco paid a sixth of the potential value of Getty reserves. Gains that perceptive buyers have made since glut-prone lows just in Edison, Amoco and Exxon have added \$15 billion to leveraged buying power of the energy cycle. And why the energy cycle has turned upward again. Other current energy subjects include price-action potential for long-dormant services leaders such as Hughes and Schlumberger. So investors in new buying power flow into these and the more aggressive junior explorers. To receive complimentary copies of Indigo's "Discovery reports, simply complete and return the coupon.

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INDUSTRIAL STOCKS: **AMOCO**

INDUSTRIAL STOCKS: **TENNECO**

INDUSTRIAL STOCKS: **TEXTRON**

INDUSTRIAL STOCKS: **WITCO**

INDUSTRIAL STOCKS: **INTERTECH**

INDUSTRIAL STOCKS: **TRW**

INDUSTRIAL STOCKS: **GEARSON**

INDUSTRIAL STOCKS: **GEARSON**</



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Options	P.12	Markets summary P.12							
Corporate bonds	P.14	Bonds P.14							
Dividends	P.14	OTC stocks P.14							
Corporate bonds	P.14	Other markets P.14							

THURSDAY, NOVEMBER 28, 1985

## WALL STREET WATCH

## Investors' Fears Keep Stocks Climbing the Wall

By EDWARD ROHRBACH  
*International Herald Tribune*

**P**ARIS — Why is the stock market going up, up? Simple. Because most people don't believe it will — or should. Stocks in their own mysterious, mischievous way are climbing that proverbial "Wall of Worry."

"Despite prices reaching new highs, Wall Street is still full of worry and uncertainty," said Edward M. Kerschner, chairman of Prine Webber's investment policy committee.

"People remain skittish if not sullen," he said. "But all bull markets have climbed a wall of worry. It is that very uncertainty that creates opportunity. And the stock market skepticism today is characteristic of the early, not the late, phase of a long-term bull market."

Describing the current rally as a "cyclical upleg in a secular bull market," he thinks it could rise another 100 to 150 points on the Dow average before hitting any other kind of a wall.

"Pullbacks of 5, 10 even 15 percent are not uncommon in bull markets," he said. "They don't go straight-up. They're a series of higher highs."

This was the case in the last great bull market, from 1950 to 1966, when stocks soared 400 percent, he recalled, noting that what powered Wall Street ahead then was a three-fold gain in price/earnings ratios the market accorded stocks.

"Corporate earnings themselves remained fairly flat, up only 2 or 3 percent a year over that period," he said. "From 1956 until 1980, an era of high inflation when company profits were tripling, the stock market did nothing, actually losing 27 percent."

What this proves, Mr. Kerschner said, is that P/E's are far more important than earnings to Wall Street. That's why he believes the market now: lower interest rates and disillusionment promise to drive P/E's higher.

"Even as long as rates remain where they are, and we think they will through the rest of the year, there's still a long way to go for this rally."

**B**UT why, despite this current period of rising P/E's, which are up from 8 to 11 in the present rally, and which Mr. Kerschner says should produce widespread public confidence, are investors still so cautious?

"Today the worry is about 'unprecedented problems' of a federal budget deficit, reflation, deflation, consumer credit and LDC loans — precisely the risks that create opportunity," he said. "By frightening investors, these problems have kept stock prices at historically modest valuations."

Bull markets end in complacency — "that's when they slide off the cliff," he said. Therefore, "when the risks are gone, so probably will be the bull."

Stocks currently topping his recommended list are Bristol-Myers, Chase Manhattan, Citicorp, General Electric, IBM, National Medical Enterprises and Pfizer.

"This bull market has kissed a lot of girls," Mr. Kerschner said. "But you have to buy stock-by-stock. Groups don't work. Not long ago General Motors was touching a new low while Chrysler was hitting a new high."

Burton Siegel, chief investment officer at Drexel Burnham, agrees. "Stock selection remains the most critical element in portfolio strategy," he said.

Of particular appeal now are the large capitalization technology stocks, he said. "Valuation analysis shows that this sector offers favorable expected returns and, increasingly, the possibility of upward revisions in earnings estimates."

IBM, Burroughs and Intel are on Drexel's priority selection list, while Digital Equipment and NCR are rated just behind.

But many stocks, he warned, are risky investments at current

(Continued on Page 17, Col. 1)

## Currency Rates

Crosses Millions		Nov. 27	
Amsterdam	2,409	4,473	12,085
Bremen (n)	51,08	95,409	22,225
Frankfurt	2,505	3,245	—
London	1,474	2,785	11,489
Munich	1,2725	2,251,05	22,146
Paris	777	11,454	2,045
Tokyo	200,45	395,25	25,80
Zurich	2,093	3,078	6,215*
ECU	1,664	2,997	1,754
S. Kor.	1,202	2,2744	8,609
Starting: 1/232 Irish C.			
(a) Commercial centers; (b) Amsterdam, Bremen, London, Paris, Tokyo, Zurich, ECU and SDR rates as of Nov. 27; other data as of Nov. 26. (c) Sterling rate as of Nov. 26. (d) Sterling rate as of Nov. 27. (e) Sterling rate as of Nov. 26. (f) Sterling rate as of Nov. 27. (g) Sterling rate as of Nov. 26. (h) Sterling rate as of Nov. 27. (i) Sterling rate as of Nov. 26. (j) Sterling rate as of Nov. 27. (k) Sterling rate as of Nov. 26. (l) Sterling rate as of Nov. 27. (m) Sterling rate as of Nov. 26. (n) Sterling rate as of Nov. 27. (o) Sterling rate as of Nov. 26. (p) Sterling rate as of Nov. 27. (q) Sterling rate as of Nov. 26. (r) Sterling rate as of Nov. 27. (s) Sterling rate as of Nov. 26. (t) Sterling rate as of Nov. 27. (u) Sterling rate as of Nov. 26. (v) Sterling rate as of Nov. 27. (w) Sterling rate as of Nov. 26. (x) Sterling rate as of Nov. 27. (y) Sterling rate as of Nov. 26. (z) Sterling rate as of Nov. 27. (aa) Sterling rate as of Nov. 26. (bb) Sterling rate as of Nov. 27. 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Chopard  
GENEVE

## BUSINESS ROUNDUP

Profit Rise  
Posted by  
Johnson  
Matthey

Reuters

LONDON — Johnson Matthey PLC reported Wednesday pretax profit of \$10.5 million (\$15.4 million) for the six months ended Sept. 30, up 11.7 percent from \$9.4 million in the like period a year earlier.

Earnings per share on a fully diluted basis amounted to 4 pence, up from 3.1 pence.

It declared an interim dividend of 0.5 pence a share, the first since the company's financial crisis late last year. The company said this reflected the group's recent performance and a significant reduction in borrowings.

In October 1984, Johnson Matthey Bankers Ltd., a gold dealer and bank, was acquired by the Bank of England from Johnson Matthey PLC in a rescue organized after the discovery of loan losses totaling more than £200 million.

Johnson Matthey said it is confident that in time major improvements in profitability can be achieved.

Staff and other costs are being reduced, while loss-causing and poor-earning activities are being corrected, it said. Some write-offs may be incurred in this process.

The company said net money borrowings at Sept. 30 stood at £154 million, down £10 million from the previous year's peak. Borrowings of precious metals have also fallen substantially.

Interest on borrowings in the second quarter amounted to £4.2 million, down £1.6 million from the first quarter.

Johnson Matthey said platinum prices have been generally lower than last year, though demand has been buoyant and first half profits from platinum-marketing were slightly higher.

Car-exhaust catalysts performed well, while the group's new catalyst plant in Australia started up on schedule.

In precious-metal refining, the first priority had been to reduce working capital. The West Deptford refinery in the United States continued to post losses, though there has been some improvement, it said.

In Britain, platinum fabrication, jewelry and silver activities performed strongly.

However, demand from the electrical and mechanical engineering industries has been disappointing, the company said.

Sandoz Denies  
Interest in Rorer

Reuters

ZURICH — Sandoz AG denied Wednesday that it was interested in acquiring Rorer Group Inc., the U.S. pharmaceutical and health-care company.

A spokesman for the Swiss pharmaceutical company said there was no basis for rumors on U.S. stock markets that it plans to make a takeover bid for Rorer.

Rorer has refused to comment on rumors that it is interested in buying the prescription-drug business of Revlon Inc. Revlon was taken over in November by Pantry Pride Inc.

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(Continued From Back Page)

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## LONDON BLACK JACK'S Escort Ser-



JULY 1985

## London Experiences Property Boom

By Sarah Lambert  
*Reuters*

**LONDON** — More and more foreigners are buying London property, fueling a boom that is making British bricks and mortar one of the world's most solid investments.

Non-Britons seeking a European base have long been attracted to London. But underpinning the current boom is the capital's extraordinary growth as a financial center, according to real estate brokers.

Oversized business geared up rapidly once London announced it would deregulate its financial markets next year, a move expected to attract many foreign financial operators to the capital.

"What with the lure of deregulation, the prestige of British education, and the country's social stability, people think London is the most wonderful place to live," said Victoria Mitchell, head of the London residential property depart-

ment of Savills, a leading firm of real estate brokers.

And, with house prices in the most exclusive London areas rising 35 percent to 50 percent over the last two years, property represents one of the best low-risk, high return investments available.

At the top end of this market, the best return on capital is made from converting houses to apartments. However, because of the heavy down payment required, the financing for such developments is usually arranged through a private consortium.

While some buyers want a London house to live in, many purchase property simply because of its investment value.

Mrs. Mitchell calculated that in the last 15 years the London prime residential market has outperformed the Financial Times all-share stock index by more than 100 percent and more than kept pace with inflation.

Nevertheless, many real estate

brokers stress that the attraction of London is more than just financial.

"London has more to offer than most of the world's other capitals and is still considered safe and civilized," one said.

He added, "I sold a five-bedroom, two-bathroom house the other day. It had a view over the golf course, was within walking distance of two schools and only a 10-minute drive from the heart of the city. Where else can you get all that for under £500,000" (about \$735,000).

Most brokers operating in the house market said foreigners and British nonresidents accounted for anything up to a quarter of their sales.

David Petty of brokers Barratt Central London said: "The main trade comes from the Far East, Hong Kong, Singapore and Malaysia. U.S. buyers aren't as numerous as some people think."

## Singapore Reports 3.5% Decline In Its GDP During the 3d Quarter

*Reuters*

**SINGAPORE** — Singapore's gross domestic product fell 3.5 percent in the third quarter and is likely to post a 2-percent decline for the whole year, according to the Ministry of Trade and Industry's quarterly economic survey, published Wednesday.

GDP grew by 8 percent from July to September last year. In the second quarter of the year it registered a 1.2-percent decline after no growth in the first quarter.

Gross domestic product is a country's total output of goods and services, minus income from operations abroad.

Construction had the worst decline, a 16-percent drop, compared with 15.3-percent growth in the third quarter of 1984, it said.

Manufacturing output had a 10-percent drop, compared with 8.2 percent, because of poor world demand, the survey said. Commerce posted a 4.2-percent fall from growth of 3.9 percent.

Financial and business services registered 3-percent growth, compared with 11.5 percent last year. Transport and communications grew marginally by 0.9 percent, compared with 9.8 percent.

A total of 80,000 people lost their jobs in the first nine months, more than half of them in construction, the survey said. Employment shrank in all sectors except financial and business services, it said.

It added that fourth-quarter prospects were bleak.

Meanwhile, prices on the Singapore Stock Exchange plunged on Wednesday amid heavy selling. The Straits Times industrial index dipped 20.29 points to a 41-month low of 697.31.

## THE EUROMARKETS

By Carl Gewirtz  
*International Herald Tribune*

**PARIS** — Income warrants, a new breed of options, were introduced Wednesday to the Eurobond market on behalf of Banque Française du Commerce Extérieur.

Options to buy bonds are not new, but options that pay interest until they are exercised have never before been seen. The debut was well received, as the five-year warrants, priced at \$100, ended the day at \$108 bid, \$112 asked.

The French state-owned trade bank put on the market 300,000 warrants bearing an annual coupon of 9.4 percent, or \$9.25. The warrants give holders the right to buy at a discount of 90 percent of face value a 9.5-percent bond maturing on March 16, 1996.

The 10-percent discount pricing to exercise the warrant, meaning investors have to put up \$900 to

buy a security nominally valued at \$1,000, erases the \$100 offering price of the warrant. Thus, in real terms to investors, the cost of the warrant is the \$12 premium at which the options ended the day and the discount a 9.4-percent bond would currently be worth (at least 2 percent). But that discount would disappear if interest rates drop over the next five years.

In the meantime, the value of the warrant should increase over time because the discount exercise price is worth more as the remaining maturity shortens. Buying a 9.5-percent, 10-year bond at a price of 90 produces a yield of 11.48; paying 90 percent to buy a bond with only five years left to maturity produces a yield of 12.1 percent.

Société Générale, which put the package together, said the structure was akin to a partially paid issue where investors are asked to put up a small fraction of the purchase price immediately and the balance later. The difference in this case is that partially paid issues up to now have required the final payment to be made within one year. In this case, investors have five years to pay.

As the warrants bear interest, enticing investors to hold the paper, both Banque Française du Commerce Extérieur and Société Générale expect that the options will not be exercised much before the final maturity — giving BFCE access to relatively low-cost funds in the meantime.

This results from BFCE's simultaneous offering of \$270 million in floating-rate notes. These have the same 10-year maturity, but are callable annually at par. Interest on the notes is set at 4 basis points, or 0.04 percent, over the three-month London interbank offered rate.

The notes were offered at a premium price of 100.05 and underwriters were paid a commission of 12 basis points.

The warrants are exercisable every three months, coinciding with the interest payment date on the FRN's.

In effect, BFCE gets its \$300 million immediately — \$270 million through the FRN and \$30 million through the sale of the warrants. The FRNs are callable after one year at par.

Basically the structure allows BFCE to gamble on a decrease in interest rates over the next five years. In that case, the warrants will be exercised and BFCE will have gotten very cheap financing.

If BFCE raised the entire amount in fixed rate financing today, it would have had to pay at least 10.4 percent. In fact, it is proposing to pay 9.4 percent if the warrants are exercised. In the meantime will pay a much lower floating rate. At present three-month Libor is 8 3/16 percent, which would put the cost of the FRN at 8.2275 percent.

Société Générale estimates that if three-month Libor averages 7 percent over the coming five years and the warrants are exercised then, BFCE's average cost of funds for 10 years will work out to 8.12 percent. If Libor averages 11 percent, and the warrants are not exercised, BFCE's cost of funds would work out to 9.94 percent — still a saving from the 10.4 percent it would have had to pay to issue fixed-coupon dollar debt in today's market.

### ■ Market Listless

In other trading Wednesday, the Eurobond market was listless. Reuters reported from London.

In other new-issue activity, Salomon Brothers International lead-managed a \$16-million property-backed 10.4-percent bond due 2000 at 99 1/2 for Fisher Brothers Financial Realty Co. It closed at about 2.2 percent just inside full fees of 2.4 percent.

In quiet secondary market trading, fixed-rate dollar Eurobonds closed little changed, while floating-rate notes eased modestly. Japanese convertible bonds firmed, as did the sterling sector, on the back of the currency's recent strength.

## The Power of Paranoia

(Continued from Page 13)  
levels because the firm's research shows Wall Street overall at "fair value." Some other "individual opportunities" he cited are General Electric, Gerber Products and Standard Oil Co. of Ohio.

"Wall Street is turning bullish," noted Walter Temperi, who directs international investment strategy for private clients at Zurich's Bank Vontobel. "But it's still not exaggerated."

He points out that there is more volume on days the market is up than during declining sessions. "I'm feeling comfortable, at least for the time being," he added.

"However, don't forget the Dow has surged more than 100 points and that has exposed Wall Street to a technical correction."

He said the bank turned positive toward U.S. stocks two months ago, in a contrarian reaction to the prevailing "consensus pessimism."

Then, the timing looked ripe, he

said, when the Dow held at 1,300, even in the face of continued bad economic news.

From then on it's been climbing that wall of worry," he added.

Mr. Temperi said the bank is adding to positions it began buying back then. Technology, where he noted bearsentiment was strongest, has been the major focus. Top choices have been IBM, Prime Computer, Motorola and Tandy.

Caterpillar's Tractor revenues are strong among capital goods stocks, with Gould heading the special situations category. Beneficiaries of a declining dollar include the chemicals, he said, plus these individual issues: Polaroid, Procter & Gamble and Schering-Plough. CSX is the favorite railroad.

"But this is a stock market where you can do some selling," he said. "Some sectors are overextended, such as foods and soft drinks. We're lightening positions in Coca-Cola."

"Wednesday's OTC Prices

NASDAQ prices as of 3 p.m. New York time.  
Via The Associated Press

12 Month Sales in Div. Yld. Net

High Low Stock Div. Yld. Net

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## SPORTS

Just in Tid

## Wade Wins but Confirms Retirement; Evert Gains

*Compiled by Our Staff From Dispatchers*  
MELBOURNE — Former Wimbledon champion Virginia Wade reached the second round of the Australian Open tennis championships on Wednesday and then confirmed she will retire from singles play after the tournament.

"I can't be bothered to psyche myself up anymore," said the 40-year-old Briton, after getting past Molly Van Nostrand of the United States, 6-3, 5-7, 6-2. "I really find it too much effort."

"On the court my concentration is still good. But I find it difficult to get excited about playing before I go on court."

Wade reigned as the queen of British tennis for almost 10 years, reaching the pinnacle of her career

## AUSTRALIAN OPEN TENNIS

when she took the title at the centennial Wimbledon in 1977. Once ranked as high as fifth worldwide, Wade now spends much of her time coaching two young French players, Pascale Paradis and Catherine Saurin.

She is also involved in television commentary for the BBC and CBS and is a member of the All-England Club committee that oversees the running of Wimbledon.

"I might play some doubles next year," Wade said, "but I don't really like playing if I'm not playing singles because it really isn't fair to my partner. As it is, my schedule is pretty packed for next year."

Wade will play either third-seeded Hana Mandlikova of Czechoslovakia or Camille Benjamin of Bakersfield, California, who clash Thursday in the second round.

Meanwhile, Chris Evert Lloyd successfully opened the defense of her title by sweeping past South African Ros Fairbank, 6-1, 6-2. On the first full day of the tournament, Evert was joined in the second round by three other seeds. No. 6 Zina Garrison of the United States, 13th-rated Jo Durie of Britain and 14th-seeded American Lisa Bonder.

Garrison, a semifinalist two years ago, beat New Zealander Be-

linda Corwell, 6-4, 6-4, 6-4; Durie ousted Australian Anne Minett, 6-4, 6-4, and Bonder eliminated Louise Field of Australia 6-3, 6-3.

But two other women's seeds bowed out: No. 12 Betina Bunge of West Germany was beaten, 6-4, 6-2, by Diane Kelesztai of Australia and the 15th-seeded Paradis was eliminated by Australian Amanda Dingwall, 6-2, 5-7, 6-2.

Nicole Provis, a 16-year-old Melbourne schoolgirl, defeated Sophie Amelie of France, 6-3, 6-1, to earn a probable second-round meeting with second-seeded Martina Navratilova, the world's top ranked player.

All the men's seeds have byes

into the second round of play.

Evert raced into a 4-0 lead before

Fairbank managed to win a game. The 30-year-old American never let up as her pinpoint accuracy gave an erratic Fairbank little chance.

But Evert seemed bothered about her lack of grass-court preparation for the open; the top seed missed recent tournaments in Brisbane and Sydney.

"I would like to have had more matches on grass over here, but my schedule didn't allow me to play the warm-up events. But I must think positively if I'm going to win here."

Evert has not been defeated in four events since September's U.S. Open. "I'm playing well, but so is everyone else," she said. "We're pushing each other to higher levels. I think I can get a lot sharper, but today was a good start."

In men's play on Wednesday, Australian Peter McNamara had the center-court crowd enthralled as he battled for five sets against Israeli youngster Amos Mansdorf.

A former Wimbledon doubles champion who is rebuilding his career after complicated knee surgery, McNamara was leading by a set and 4-4 when rain forced a halt to play on Monday.

But Mansdorf, 20, had the edge in the final set when the match resumed and won, 6-7, 6-7, 6-2, 6-4. (UPI, AP)

## Yellow Balls for Wimbledon

Yellow balls will be used at next year's Wimbledon tennis championships for the first time in the tournament's 108-year history. The Associated Press reported All England club as announcing its



NO — Charles Barkley deftly tipped away Robert Parish's lay-up attempt in Tuesday's first half; Barkley also outdid Parish for high-scoring honors, 24 points to 22, but Boston handed Philadelphia its third straight loss, 98-91.

## SPORTS BRIEFS

## Venue for Ski Cup Opener Is Changed

SESTRIERE, Italy (UPI) — The opening men's slalom of the World Cup ski season will be held here Sunday, after being switched from snowless Courmayeur, Italy, cup officials announced Wednesday.

Officials are also closely monitoring sparse snow conditions at nearby St. Vincent, France, the venue for the women's season-opening cup event, a downhill, scheduled for next Dec. 5.

Skiing, with abundant natural snow aided by an artificial snowmaking system, has a minimum cover of 130 centimeters (51 inches).

The spokesman said that immediately after last July's championships, television-camera tests demonstrated that a superior image was presented by yellow balls rather than the traditional white. Yellow balls are used in nearly all other major tournaments worldwide.

The spokesman said that although the club "is totally committed to its role as guardian of tradition at Wimbledon... there are occasions on which we have deemed old-fashioned in our protection of these traditions. After lengthy discussions, we believe that the advantages of using yellow tennis balls now outweigh the sentimental attachment to white."

But the club's traditional rule that players must wear predominantly white attire will remain in effect.

## VANTAGE POINT / George Vecsey

## The Empire Strikes Back

New York Times Service

NEW YORK — There is good news for the Olympic movement, and just in time for Thanksgiving. The hit-or-miss financial structure of the 1984 Summer Games, which allowed the Los Angeles organizers to make a \$220 million profit, is being dragged into the real world.

From here on in, no more Mr. Nice Guy. The control of Olympic endorsements is too important to be handed over totally to small-potato groups like Peter Ueberroth's Los Angeles Olympic Organizing Committee and national Olympic committees.

The true superpowers, the multinationals that sell goods around the world, felt they were not getting enough bang for their sponsorship buck during the 1984 Summer Games, and have cut a new deal with the International Olympic Committee itself.

The new sponsorship policy will allow worldwide companies to bid for a monopoly on Olympic sponsorship in 44 separate categories, ranging from cameras to credit cards. The winners will be licensed to link their corporate logos with the Olympic logo wherever there is a consumer with a few spare pesos, pounds, rupees, dollars or cents.

The good news was announced in New York on Monday, blessed by Juan Antonio Samaranch, who practices subtle diplomacy as president of the IOC. No clubby amateur sports official like those of past generations, he was the president of the Assembly of Catalonia, a Spanish province with its own language and its own heritage, during the ticklish final years of the Franco regime, and he was later Spanish ambassador to the Soviet Union.

His current olive-branch mission is to persuade North Korea to participate in the 1988 Summer Games in South Korea, and his diplomatic tools include his credibility in Moscow and a bagful of goodies that might include holding some Olympic events north of the 38th Parallel.

In a private interview on Monday, Samaranch displayed a telex message he had received only hours before, signifying that the North Koreans will attend a meeting with South Korean Olympic officials in Lausanne, Switzerland, in January. He said proudly: "To have officials from North and South Korea negotiating is a very positive thing."

Samaranch recently traveled to Hanoi to explain the new endorsement policy to the communist nations. He said the officials were comfortable with the link with multinationals, which is no surprise, when you stop to think about it.

The principle of the endorsement policy is to share the wealth from the 44 chosen benefactors, which certainly falls within the heritage of "From each according to his ability, to each according to his willingness to boycott."

The sponsors will be ar-

rangements is Coca-Cola, which manufactures fizzy black sugar water and occasionally changes the recipe and then changes it back, a marketing and dietary policy that will be hard to explain to future generations.

Coca-Cola, which spent \$25 million in network advertising for the 1984 Summer Games, according to a recent estimate in the Wall Street Journal, may not be as much to the 1988 games because of the nonprime-time hours of the events in Korea.

Donald R. Keough, president of the Coca-Cola Co., praised the new arrangement as "a great package" for the IOC because "we spend a hell of a lot of money, and we want more mileage, more control." This way we have a clear understanding of what our rights will be."

If Coca-Cola might be committing \$10 million to the new arrangement, Keough said, "Ten million, that's a nice figure."

The new president of the U.S. Olympic Committee, Robert H. Helmick, stressed that the new arrangement was not a reaction to the Los Angeles committee, which asked for voluntary services and then paid large bonuses to key staff members and turned up with a \$220 million profit.

The Los Angeles experience still causes a diplomatic quiver in Switzerland, who had asked for a \$7 million "gesture" to repay nations for what they spent on lodgings. Peter Ueberroth, now commissioner of baseball, had favored giving some money to needy nations, but his successors pared down the "gesture," and the bulk of the \$220 million is being distributed to U.S. sports programs.

"We spend a hell of a lot of money, and we want more mileage, more control. This way we have a clear understanding of what our rights will be."

"I think never more will you have these profits," Samaranch said Monday.

Or at least the profits will be cut up differently. Fortunately, it is not just corporations and sports agencies that profit from the Olympics; the athletes are getting theirs, too.

Consider the first commercial gift of Mary Lou Retton. She is obviously making big bucks from endorsing every product in sight: more power to her, but with amazement the last of the naiads learned this week that she is considering participating in the 1988 Games. That is to say, through the blatant ploy of trust funds, she is still an amateur, Wheaties and all.

"We must go step by step," said Samaranch, who noted that once again in 1988 some professional hockey and soccer players will compete against state-subsidized amateurs from the Soviet bloc because, as Samaranch said, "For me, it is the same."

By 1988, in impoverished villages around the world, the most persistent sign of civilization will be the Olympic logo splashed on a Coca-Cola delivery truck. By then, the Ueberroth commerce of 1984 may be seen as the good old days of mom-and-pop amateurism.



Virginia Wade

## Devils Break the Jets' Hex, 4-3

*Compiled by Our Staff From Dispatchers*

EAST RUTHERFORD, New Jersey — There was no question the New Jersey Devils made progress in Doug Carpenter's first season as coach, and they just may be ready to turn the corner and become a serious contender in his second.

One sign was obvious Tuesday night: The Devils beat a team the Winnipeg Jets — that has given them fits.

John MacLean scored on a 15-foot shot early in the third period to break a 3-3 tie and lead the Devils to a 4-3 National Hockey League victory. It was New Jersey's third victory in four games and its first over Winnipeg in the seven meetings.

Other NHL winners Tuesday night were St. Louis, Calgary and Chicago.

"All in all, we're playing quite solid," said Carpenter, whose Devils improved 13 points in his first season as coach. "We're improving and getting better. We've got good

## SCOREBOARD

## NHL FOCUS

balance on the lines and it looks like we're playing as a unit."

The triumph raised New Jersey's record to 9-10-1, for 19 points. The Devils were 6-12-2 after 20 games last season for 14 points. They had been 0-6-1 against Winnipeg the last two months, but MacLean's goal ended the streak.

The right wing took a pass from Aaron Broten in the right faceoff circle and beat Brian Hayward with a shot that went off the goalie's pads.

"I flubbed the shot," said MacLean. "I think it fooled him a little. The shot was a little knuckler that was spinning, a change-up. When he kicked too soon, it went through."

Rookie goalie Craig Billington protected the lead for the final 15 minutes, posting his third victory in as many starts. "I don't know if I'm a good luck charm," said the 5-

foot-10, 150-pound (1.78-meter, 68-kilogram) Billington. "It's nice to be playing though."

The loss was the third straight for Winnipeg, which has one game left on a four-game road trip. The other two losses had been by 8-1 margins.

Dale Hawerchuk tied the game, 3-3, on his second goal of the night with five seconds left in the second period, beating Billington with a 50-foot shot to the glove side. New Jersey had opened a 3-2 lead with two goals in the first five minutes of the period.

Rich Preston tied the score 2-2 at 2:26 of the second by beating Hayward with a 10-footer from the slot, and Greg Adams put New Jersey ahead a little more than two minutes later.

"We'll have a light practice tomorrow and a real good day Thursday," said Billington. "Management will be going lighter on things when you win." (AP, UPI)



In Tuesday night's opening period, Craig Wolanin let Winnipeg's Jim Nill know that the chase for the puck stopped here.

## Football

## Selected U.S. College Conference Standings

BIG TEN		CONFERENCE		ALL GAMES		SOUTHEASTERN		CONFERENCE		ALL GAMES		MID-AMERICAN		CONFERENCE		ALL GAMES		ATLANTIC COAST		CONFERENCE		ALL GAMES		WESTERN ATHLETIC		CONFERENCE		ALL GAMES		TENNIS					
CONFERENCE		ALL GAMES		W.L.T.P. OP W.L.T.P. OP		Florida		W.L.T.P. OP W.L.T.P. OP		LSU		W.L.T.P. OP W.L.T.P. OP		Michigan		W.L.T.P. OP W.L.T.P. OP		Maryland		W.L.T.P. OP W.L.T.P. OP		Miami		W.L.T.P. OP W.L.T.P. OP		North Carolina		W.L.T.P. OP W.L.T.P. OP		Oregon		W.L.T.P. OP W.L.T.P. OP		Tennessee	
CONFERENCE		ALL GAMES		W.L.T.P. OP W.L.T.P. OP		Florida		W.L.T.P. OP W.L.T.P. OP																											

## PEOPLE

## High Stakes in Book Bid

was appointed director of music and drama for the Edinburgh Festival. In 1959 he left South Africa to accept the position of manager with the London Symphony.

Harrison Schmitt, 50, the former U.S. astronaut and senator-elect Terence Macpherson of Albuquerque, New Mexico, Schmitt, who as an astronaut walked on the moon during the Apollo 17 mission in 1972, was a U.S. science advisor in New Mexico from 1977 to 1983. He was defeated in his bid for a second term. The actress and singer Rosemary Clooney filed suit for divorce in Los Angeles against her husband, Matti Westerholm, 40, directed last year's critically acclaimed film "Paris, Texas." They were married in 1979.

Prince Charles received a scathing attack on British Industry today, saying that Britain was in danger of becoming a fourth-rate nation unless it adopted an American-style spirit of enterprise. In a speech to Scottish business leaders in Edinburgh, the 37-year-old heir to the throne called for a reawakening of individual initiative among conscious Britons who perceive themselves as peripheral cogs instead of powerful engines of progress. said Britain, a strong nation throughout its history, "no longer gives its customers the kind of service they want. We don't design the goods they want. We can't go on in the same old way. We've got to find a way of changing."

Emmanuel Nkomo, 80, the world's longest surviving heart transplant patient, says he would be willing to try a French heart artificial heart, but only after his 17-year-old transplant. "I have no objection," says Nkomo, 80, of being interviewed by journalists in Marakech, France, before his celebrating Wednesday of the 17th anniversary of his transplant operation. His transplant continues to amaze with its "readiness and stability. It works like a precision watch." He received the heart of a 20-year-old French woman, Pierre Poussin, who had been killed in a road accident. The surgeon, Dr. Jean Henry, died later of a heart attack at Cape Town. In 1986 he

## ART BUCHWALD

## Explaining Thanksgiving

(And then on the last day of the summit, Mikhail Gorbachev turned to Ronald Reagan and said, "Tell me, Mr. President. What is your Thanksgiving Day all about?" And Reagan replied, "I can only explain it to you as I did to François Mitterrand.")

ONE of our most important holidays is Thanksgiving Day, known in France as le Jour de Merci Donnant. Le Jour de Merci Donnant was first started by a group of Pilgrims (Pélerins) who fled from l'Angleterre before the McCarran Act to found a colony in the New World (le Nouveau Monde) where they could shoot their Indians (les Peaux-Rouges) and eat turkey (dinde) to their hearts' content.

They landed at a place called Plymouth (now a famous vocation à l'américaine) in a wooden sailing ship called the Mayflower or Fleur de Mai in 1620. But while the Pélerins were killing the indians des Peaux-Rouges were killing the Pélerins and there were several hard winters ahead for both of them. The only way the Pélerins were raised the Pélerins was when they taught them to grow corn (mais). The reason they did this was that they liked corn with their Pélerins.

In 1623, after another harsh year, the Pélerins' crops were so good that they decided to have a celebration and give thanks because more was raised by the Pélerins than Pélerins were killed by Pélerins.

Every year on le Jour de Merci Donnant, parents tell their children an amusing story about the first celebration.

It concerns a brave capitaine named Miles Standish (known in France as Kilomètres Débouche) and a sly young lieutenant named Jean Alden. Both of them were in love with a flower of Plymouth called Priscilla (Mullens not translation). The vaste capitaine said to the jeune lieutenant:

"Go to the damsel Priscilla (Alice, triste chez Priscilla), the loveliest maiden of Plymouth (la plus jolie demoiselle de Plymouth). Say that a blind old captain, a man not of



## Fashioning a List of Best-Dressed Men

By William E. Geist  
New York Times Service

**N**EW YORK — "Yeah," said Charles Richman, picking up the phone at the Fashion Foundation of America. "This is Fashion, Whaddayawant?"

This is a busy time at the foundation, which has just announced its 44th annual list of the world's best-dressed men, featuring President Reagan, Prince Charles and, inexplicably, the mayor of Jersey City, who intimated that this is the kind of honor that can ruin a man in Jersey City.

Calls were coming in from reporters throughout the metropolitan area and beyond, with only Richman there to field them. "I am the foundation for the most part," he explained, digging through stacks of cascading papers to find the ringing phone.

The foundation is in a small and unfashionable office at 44 Court Street in downtown Brooklyn, manned by Richman. He describes himself as an old public-relations war horse and claims to have invented best-dressed lists back in the 1930s, coming out with the foundation's first in 1941. Today there are many best-dressed lists, but his still attracts worldwide attention.

Richman said press agents, politicians and tailors to the stars clamor to have their clients placed on the list. Sometimes they offer him money, which he said he refuses.

Those named to the list have often used the honor to further their careers, going on to do commercial endorsements and even start their own lines of clothes, he said.

Anthony R. Cucci, mayor of Jersey City, was wearing flexible-waist, polyester-blend slacks when he learned of his selection. He said he was stunned and perplexed and had no plans for a collection of Cucci wear, although the name does have a ring to it.

His selection left those in New York's fashion industry scratching their heads Tuesday.

"Talk about a dark horse," said a spokesman for Bill Blass. "What is his look?"

The door of the foundation's office reads "Brooklyn Record," "Fashion Foundation of America" in smaller letters below.

The Brooklyn Record is a small weekly newspaper published by Richman. Inside, telephone numbers are written on the walls and the paint is peeling.

Rooting through the piles of paper, Richman produces thank-you letters from past winners and wives, including those from several first ladies: Jacqueline Kennedy, Mamie Eisenhower and Pat Nixon. There are lots of buried photographs of people receiving foundation certificates: Bob Hope, Caesar Romero, Jack Palance and Jimmy Stewart.

Admittedly, he said, Cucci "was not like Prince Charles, an open-and-shut case," or Reagan, named to the list for the third time "because his clothes fit just as well this year" when he came out of the hospital as when he went in — incredible!"

Fit is most important to Richman, who said the foundation placed Pope John Paul II on the list a couple of years ago. "He just wears his religious garb," he said, "but he looks marvelous in it, doesn't he?"

Richman said that he had

weathered many a brouhaha over the years and was standing firm on Anthony R. Cucci. "I had the mayor of Yonkers on one year. We lived through that."

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